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Analýza konkurenceschopnosti vybrané italské restaurace v kraji Yorkshire

An analysis of competitiveness of selected Italian restaurant in Yorkshire

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Description:

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Declaration of usage of results of bachelor's thesis

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PORTER, Michael E. *Competitive advantage: creating and sustaining superior performance*. New York: Free Press, 2004. 627 p. ISBN 978-074-3260-879.
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Hereby with I declare that I have elaborated the entire thesis, including all annexes, independently.

In Huddersfield, 26.6.2014


.....

Martin Olšar

Prohlašuji, že jsem celou bakalářskou práci, včetně všech příloh, vykonal samostatně.

V Huddersfieldu, 26.6.2014

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Martin Olšar

Abstract

This paper aims to investigate a competitiveness component in the restaurant industry and examine key drivers in the decision making process of Huddersfield citizens. Huddersfield resident were chosen as an appropriate population in order to follow this paper's aims. Diversity of customers in terms of age, gender, income, etc. was considered and research questionnaires were designed and distributed both online and offline in a ratio of 1:2 in order to achieve a high representative sample.

There were few statistical methods used to analyse findings such as correlation and t-Test to analyse two variables and their relation among them. There were also described a most usual customer and key drivers of customers key drivers. It was found that Quality of food, Service quality, and Employee's attitude is the most important factor which influences customers in terms of choosing restaurant. On the other hand, every 'little' detail can play its own role in customer decision making process. Although, size of a sample was very small as well as some limitation influenced size of sample, the results and findings of this research should be taken with caution.

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1 Introduction

Because there are a significant number of businesses in all industries in the world, the speed at which competitors develop their own versions of new products or services is much faster than it used to be. Added to this is disagreement between countries is the legality of some of these processes. The role of comp advantages, in a world full of plagiarism, copying, as well as conflict between countries on the definition of these terms is unclear as people generally do not know the details of the characteristics of the product they just bought. Sometimes a brand name is more powerful than quality. In this world the only valid rule is: “Competitors never sleep”.

Gaining a competitive advantage is one of the most important purposes that every manager has to face. Competitive advantage makes a firm different from its competitors and, if is used in the correct way, can move the firm one step forward in advance of the competition. Having competitive advantage is one of a few business characteristics which have a significant contribution to business success or failure.

According to Mintel Reports (2013), there is an increasing number of customers in Pizza and Pasta (Italian) restaurants, the year-on-year market has increased by 3,2%. This growth is the second highest in last five and the Mintel forecast does not assume higher growth than of 2013. Due to the financial crisis and people’s worries about their jobs and income, restaurants’ most common tactic to maintain a customer base was offering discount and promotions. Even though the restaurant market, specifically the UK pizza and pasta market has a upward trend, customers simply got used to eating out in the restaurant and using any type of discounts, promotion or any other type of an advantageous offers, what in the end maintained customers’ purchasing habits were cautions in terms of spending (Mintel, 2013).

A restaurant industry, especially in England, is one of the most competitive industries. There are many reasons why, such as having almost no barriers to entry, low cost to enter, no exceptional skills needed. It sounds extremely easy to set up a new restaurant in comparison to setting up another type of business, but no business is easy to run.

The restaurant business is highly sensitive to customer service, once a restaurant disappoints a customer, they may never come back.

The aim of this study is to analyse and describe the competitive environment of a restaurant in Huddersfield. The analysis and description will be performed from the perspective of an Italian restaurant located in the centre of Huddersfield and named Primo Ristorante. I have chosen this topic because of my personal interest to be educated in running and developing a small business, in this case a restaurant.

Primo Ristorante is a small family company that has operated a restaurant for over a year in Huddersfield. The overwhelming majority of small businesses are low-budget and top values are honesty, passion, enthusiasm. These are the same values that Primo Ristorante provides, contained in food products and service for customers.

Quantitative research design has been adapted to provide both relevant and related data about customer satisfaction and customer interest in choosing a restaurant. By analysing data through questionnaires, this research can identify key factors of consumer's manners connected to customer's expectation of restaurants. The result provides an overall analysis of consumer behaviour linked to the restaurant industry and shows aspects playing an inherent role in customer's behaviour.

The overall structure of this study is organised as follows. The next part is the theoretical background, describing general terms and analysis in terms of competitiveness. Part 3 is introducing to the reader to the restaurant way how was research executed. Part 4 includes research data collection and contains information about sample size and possible limitations as well as discussion of results based on analysing data. In the final sections, the recommendation and conclusion are presented.

2 Literature review

2.1 Competitive view

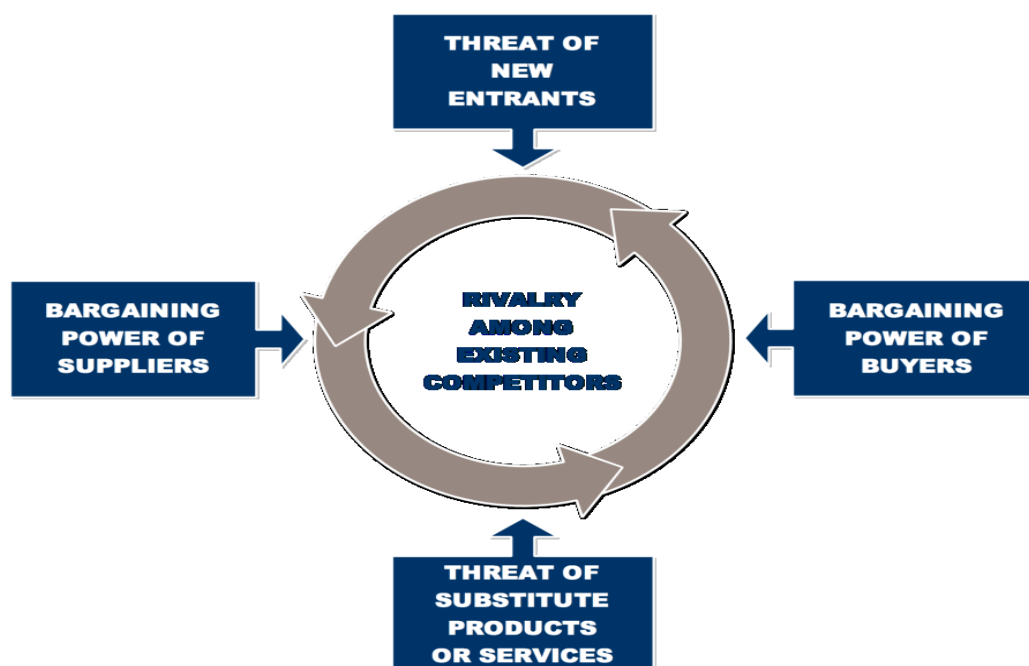


Figure 2.1: Porter's 5 Forces model

Source: Masonmyers.com (2014)

Threat of entry

New entrants are new threats. This means that restaurant operator needs to spend more effort to maintain their loyal customers as well as continuing to improving their personnel's skills to increase customer service level and attract new customers.

Barriers of entry

Michael E. Porter (1980) formulated seven major sources of entry barriers:

Economies of Scale

Economies of scale refer to cost decreasing per units when producing volume increases. It simply means as much product business unit produce as lower cost they might have to produce their products. „Scale of economies can present in nearly every function of a business, including manufacturing, purchasing, research and development, marketing, service network, sales force utilization and distribution” (Michael E. Porter, competitive strategy, p.7). An example for economies of scale in the restaurant industry can be used. Restaurant network using one manufacture for items they need in the cooking process for the whole restaurant network can lead to sharing producing cost and diluting cost into all restaurants within the network.

Capital Requirements

In some risky industries a high amount of financial sources might be needed so that business units are able to compete with already created entry barriers. Capital is mostly required to cover up-front advertising, inventories and start-up losses before a restaurant gains a customer credit.

Switching Cost

Switching cost are disposable costs confronting switching buyers from one supplier to another. „Switching cost may include employee retraining costs, cost of new ancillary equipment, cost and time in testing or qualifying a new source, need for technical help as a result of reliance on seller engineering aid, product redesign or even psychic costs

of severing a relationship” (Porter, competitive strategy, p.10). The higher the switching cost are, the more difficult and expensive the barrier of entry can be.

Access to Distribution Channels

Generally access to distribution channels is important for retailers who have not established logical distribution channels offering their product and must offer some advantageous deal to persuade channels to cooperate with business units such as price discounts, cooperative advertising allowances. These facts may decrease business unit's margin, but can increase profit. In view of the fact that restaurants are not wholesale or retailers units they are not depend on any distribution channels but their distribution channels are customers who buy their products.

Cost Disadvantages Independent of Scale

New entrants may have potential threats in allocating or finding sources due to late entry onto the market.

According to this, restaurants facing cost disadvantages for instance choice of location, or even access to raw materials/ingredients; such as when some local small suppliers have been cooperating with another restaurant network and cooperation does not allow supplying to another restaurant.

Government Policy

Either government or a city council can issue a restrictions affecting restaurant business in terms of health and safety regulations, labour-law, hygienic regulation etc. what restaurateurs have to follow and adapt their business to these regulations.

Rivalry among existing competitors

Competitive ‘war’ among existing restaurants is caused by struggling for new customers and is it mostly led by the action-reaction principle when the first competitor coming with effort to gain a competitive advantage and attract a new customer by price competition, advertising battles and improved customer service will be followed by other competitors in a bit different way. In accordance with this fact, the restaurant industry is a high competitive area where all restaurants are mutually dependent.

The competitiveness in terms of rivalry is also influenced by factors such as number of equally balanced competitors, diverse competitors, and growth of industry, storage costs, and exit barriers.

The Power of Buyers

“Buyers are the organisational immediate customers, not necessarily the ultimate consumers” (Johnson, Whittington, Scholes, Fundamentals of Strategy 2nd ed., 2012, p.28). Powerful buyers can demand lower prices or any improvements in their products or services and in transcription to restaurant industry it can be a large group of customers, in most cases it is group celebrating some occasion, which can negotiate a special conditions or price discount.

The power of Suppliers

The power of suppliers is opposite to the power of buyers. Restaurants adopt a stance on buyers and have to be aware of only one supplier which could cause a huge problem if the supplier would not be able to supply all items due to any reasons. Thus the restaurant should not cooperate only with one supplier, but with a diverse number of suppliers.

Threat of Substitutes

“Substitutes are products or services that offer a similar benefit to an industry’s products or services, but by a different process” (Johnson, Whittington, Scholes, Fundamentals of Strategy 2nd ed., 2012, p.28). Main threat of substitutes of restaurants can be consider fast food companies and increasing ability and willingness for home cooking.

Analysing the competitive ability and factors having an impact on a company’s competitiveness should be followed by a ‘gaining competitive advantage’ process to not only survive in the market, but to be a significant player in the market. This process is described below.

2.1.1 Gaining Competitive Advantage

As it was mentioned above, the restaurant industry, typically one of the most common types of services offered, is high-competitive industry with little barriers enabling anyone to easily enter the market. What in the end makes this industry highly competitive is the large number of competitors.

Michael Porter in his book ‘Competitive Advantage-Creating and sustaining superior performance’ deals with value chain, differentiation, as an essential parts of total performance leading to gain a competitive advantage. “Gaining and sustaining competitive advantage depends on understanding not only a firm’s value chain but how the firm fits in the overall value system” (Porter, 2004, Competitive advantage: Creating and sustaining superior performance, p.34). The value chain is consisted of four support activities (Firm infrastructure, Human resource management, Technology development, Procurement) and five primary activities (Inbound logistics, Operations, Outbound logistics, Marketing and Sales and Service) (Porter, 2004). In restaurants, which is part of a more service-oriented industry should mainly focus on Human resource management, procurement, and naturally on firm infrastructure what includes for example general management, planning, finance, accounting and legal. Procurement means purchasing

inputs such as raw material, supplies as well as all assets, for example kitchen and office equipment (Porter, 2004). Obviously procurement cost plays a negligible role in total costs, but if the purchasing is greatly developed, it can play significant role in overall costs and differentiation, thus also in gaining competitive advantage (Porter, 2004). Primary activities deal with product production, its sales, its distribution and its service. Inbound activities are used as activities to receive store, and disseminate inputs to the product and also include all warehousing activity. Operations are simply transforming input to final products. Outbound logistics is physical distribution to buyers. Marketing and sales include advertising, promotion, pricing to force a buyer to buy a firm's product and service provides enhancing the value of a product (Porter, 2004).

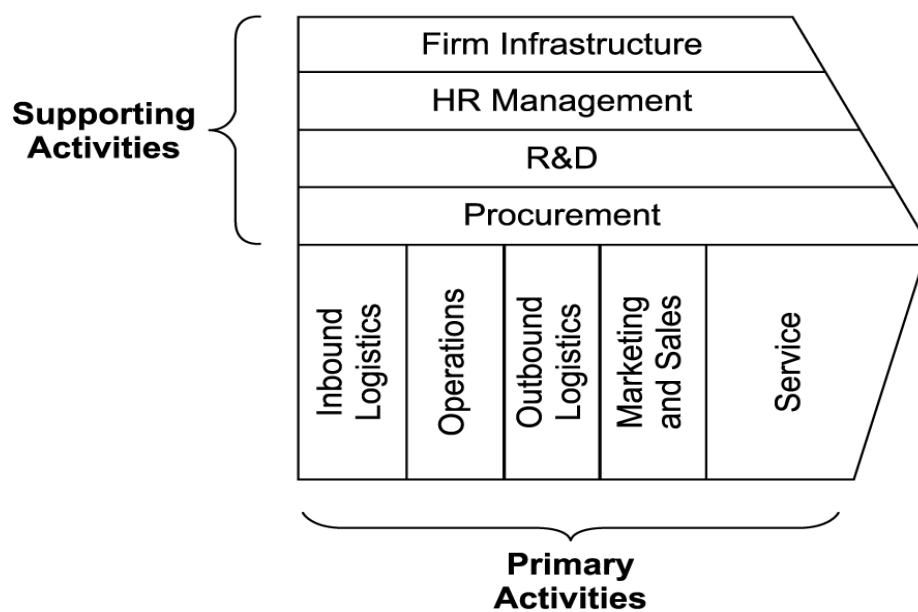


Figure 2.2: Porter's value chain

Source: Porter (1995)

Differentiation is a goal that every firm would like to achieve, which can be described as providing something unique but still valuable, not only at low price, but handle a premium price to raise sales at set price or just offering relevant benefits for buyers (Porter, 2004). Differentiation stems from the value chain and basically any activity in the end can lead to make a firm unique by both support and primary activities or by width of firm's activities or its competitive scope (Porter, 2004). Drivers

of uniqueness can be policy choices, including most basic driver, such as activities that a firm can perform and how they perform them, for example product features and performance offered, service provided and quality of inputs (Porter, 2004). The second driver, linkages, refers to coordinating linked activities that meet buyer needs such as closed firm's coordination with suppliers that the firm utilizes in the form of strong relationship/partnership. The other drivers can be a location, ability to learn how it performs better, and scale.

Kandampully and Duddy (2001) wrote that in the recent days, when customers are considerably sensitive to high quality service provided by restaurants is necessary to force managers to think not only to improve but to be innovative as well. The key challenge for is to transform first time customers into loyal customers. That can only be done through managers high-quality service. The high quality service in a hospitality industry is probably the most important part in terms of competitive ability and people in the organisation is a fundamental part in a way to gain a competitive advantage. Also outstanding service is a tool to maintain a customer base (Kandampully and Duddy, 2001). This was referred to Areias's and Eiriz's (2013) study that said that people are the most important organizational asset and found building, linking, and bonding as a firm's issue to develop sustainable competitive advantage. Building is meant as a task to create a human resource system, processes and culture which 'transform' human resources assets to financial assets (Areias and Eiriz, 2013). Linking is simply described as a sharing a personal specialised knowledge, attracting and developing the specialised knowledge included, to the firm's information system and bonding is characterised as a developing an engaging, motivating and bonding firm's culture which attract and maintain talented employees (Areias and Eiriz, 2013).

Innovation as a competitive advantage tool

To survive on a market place, especially in the restaurant businesses, companies must be flexible and adaptable to follow a market demand and changing customer's needs and wants as well as if restaurant have reached their maximum and numbers in the balance sheets get stagnating or even declining, there is only one solution how to return the firm

in a growing way is innovation. Innovation is application of any idea, practice, process that is perceived as a new and solve a market need or rather market gap.

Percentage of failures is high in the restaurant industry because low entry barriers, numerous of competitors and limited knowledge about how to achieve success with hospitality innovations, what is a reason why restaurant's managers depends on good feeling, speculation, and their own limited experience about the keys to innovation success (Ottenbacher, 2007).

New service development

Previously was identified 4 categories of New Service Development; product-related (the relative advantage of a product or service), market-related (market responsiveness, market attractiveness), process-related (includes market-oriented and proficient development practices, employee involvement, effective communication, process management), and organization-related (includes synergies between new services and the firm's marketing, management, and financial resources (de Brentani, 2001). M. C. Ottenbacher (2007) identify a three market performance dimensions in his study of hospitality innovations; market performance, financial performance, employee and customer relationship enhancement. Market performance is influenced by market responsiveness (meeting customer needs), effective marketing communication (reaching the right customers), raising awareness (convincing customers to try it) and tangible quality (output dimension of the service) (Ottenbacher, 2007). Financial performance has four positively influencing factor: Market attractiveness (targeting high-growth markets, high dollar-volume markets, high margins markets), Strategic human resource management (approach to achieve higher financial results through employees as a not duplicable source of competitive advantage), Employee involvement in the process (Employee's skills and experience to develop innovations), prelaunch activities (market study, a financial analysis, and the development of a detailed service concept). Employee and Customer Relationship Enhancement is related to employee and customer satisfaction and loyalty and affected by five factors: Employee commitment (understanding, motivation, commitment, and support for NSD projects is fundamental for better

employee and customer relationship), Behaviour-based evaluation (Evaluating employees performance in relation to providing courteous services), Training (improving general skills, interpersonal skills of employees to enhance staff and customer relations), Empowerment (power and autonomy to exercise control over job-related situations and decisions may contribute to enhanced staff and customer relations), Tangible quality (reliability, accuracy, and consistency affect the quality of staff and customer interactions) (Ottenbacher, 2007).

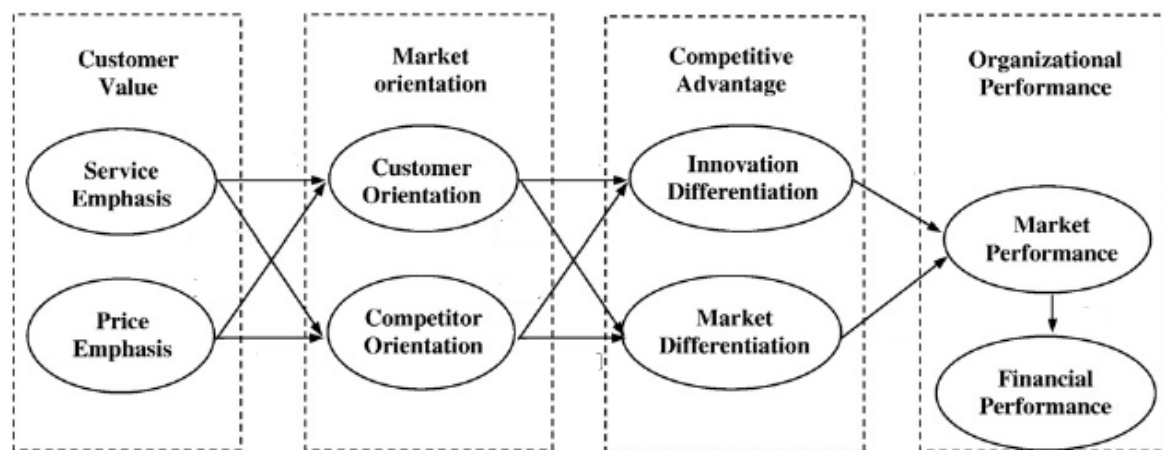


Figure 2.3: The conceptual model

Source: Brown and Zhou (2009)

Figure 2.3 refers about three issues: how customer value variability affects a firm's focusing on customers vs. competitors; how customer and competitor orientations affects innovation and market competitive; how the two forms of competitive advantage impact the firm's market and financial performance (Brown and Zhou, 2009). Issue of customer value divides customer into two categories, first category are service emphasis customers, who primarily prefer benefits they could receive and the second group include customers who are price oriented (Brown and Zhou, 2009). Customer value is connected to market orientation by a system which firm should develop to provide a superior quality to its targeted customers and maintain their quickly changing needs and be able to quickly react

their new demands what leads to reach and satisfy service-knowing customers what eventually can lead to a higher level of competitor orientation (Brown and Zhou, 2009). Only firm can recognize its competitive position through an analysis of key competitor's strength and weaknesses develop a product and services mix in order to position itself effectively against the competition and predict customer's changings needs by monitoring the successes and failures of its competitors (Brown and Zhou, 2009). There are few ways how to achieve a competitive advantage such cost advantage (low cost differentiation strategy), differentiation advantage (higher customer's perceiving), market differentiation advantage (creating a unique image to reach customers), innovation differentiation advantage (quality, efficiency, design innovations, style innovation) (Brown and Zhou, 2009). Difference between innovation differentiation and market differentiation is that innovation differentiation is linked market leading firm with the new and successful products or services and market differentiation lie on firm's attractive packaging, good service, convenient locations, reliable products, and careful pricing to create a unique image and both strategies affect market performance which finally affect a financial performance (Brown and Zhou, 2009).

2.2 Marketing view

The companies' marketing process can be divided to 2 categories- Internal Marketing and External Marketing. However, both parts must be well coordinated to create a superior added value for customer.

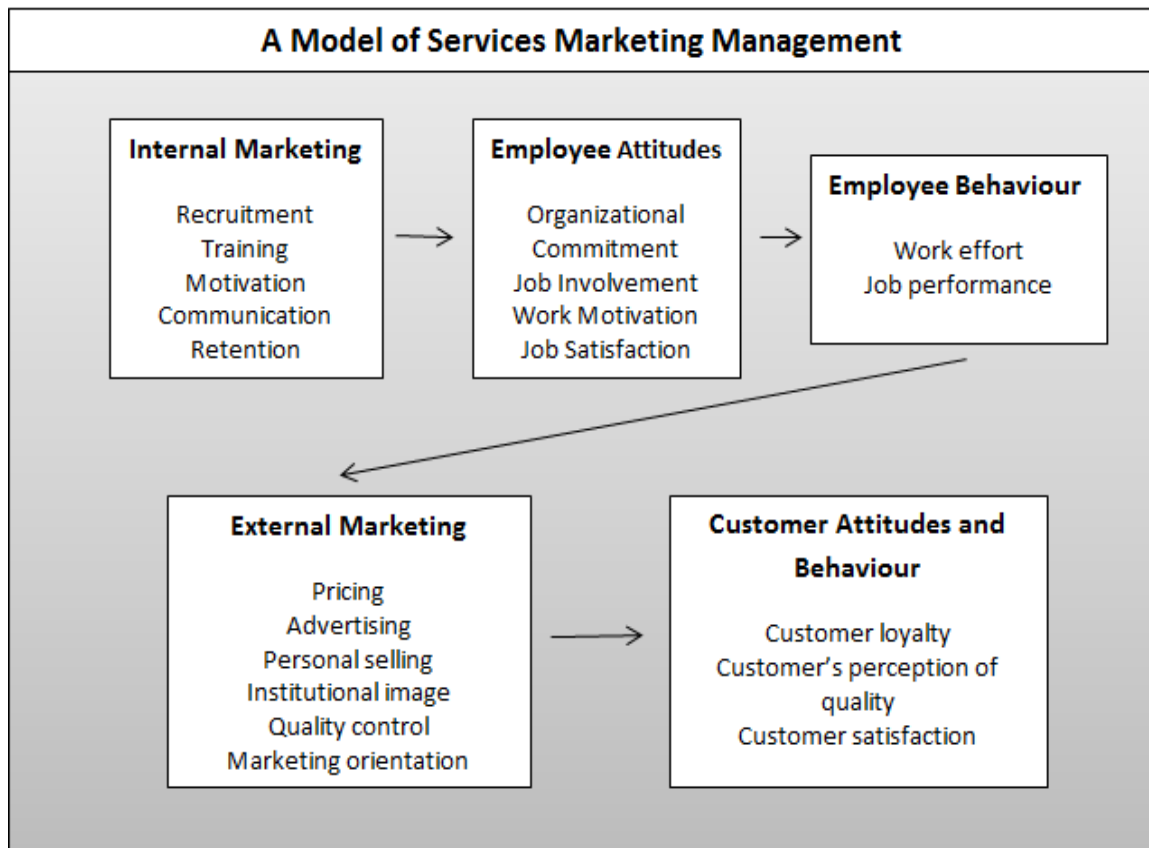


Figure 2.4: A Model of Services Marketing Management

Source: Tansuhaj, Randall & McCullough (1988)

2.2.1 Internal marketing

Obviously a hospitality industry is a unique industry and requires specific type of marketing services. Certainly a labour strongly participates on restaurant's success or failure. High quality labour provided can customer's satisfaction and rise customer's loyalty. "Proper practises of Internal Marketing includes staff recruitment, training, internal communications, motivation, job security and retention. Therefore, the direct outcome of such practices of Internal Marketing is improving Internal Service Quality (Tsai and Tang, 2008; Opolu et al, 2009). Satisfied employee equal satisfied customer and satisfied customer equal higher customer's loyalty and higher restaurant revenue. Yogles (1999) emphasizes job satisfaction as a factor of job loyalty and Fernstein and Brenner (1987) verify this theory by result of study which says that not satisfy employee is more presumable to leave the company what leads to higher staff sustainability.

Motivation of employees

Motivation is a set of drivers' regulative activities of the individual person and also is the key driver of above mentioned characteristics of Internal Marketing. The survival of the service organisation is extremely dependent on employee's performance. Thus, organisation should maintain the employees satisfy and motivated which has a root in Maslow's pyramid of human needs. J.T. Austin's, J.B. Vancouver's (1996) research proved that setting goals are helpful in term of improving human performance.

Thus, employees need two points to achieve a goal. First point is called as a Forces, a power what move employees closer to their needs, wishes, urges, motives or desire and second point is Functions, what are abilities required to achieve the goal such as perception, thinking and memory (Rosenstiel, 2011). "Forces without functions are 'blind' – whereas functions without forces are "empty" (Rosenstiel, L., 2011, p.347).

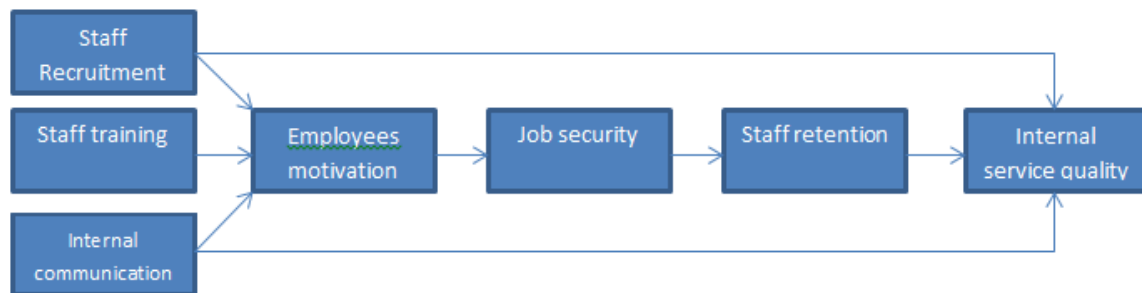


Figure 2.5: Proposed research model

Source: Akroush, Abu-ElSamen, Samawi, Odetallah, 2012

Saari and Judge (2004) came with identifying three major gaps between the scientific research in terms of employee attitudes and job satisfaction – the causes of employee attitudes, the results of positive or negative job satisfaction, and how to measure and influence employee attitudes. They also divided the causes of the employee attitudes to three categories- Dispositional Influences, Cultural Influences and Work Situation Influences. Dispositional influence has roots over time and childhood temperament can

influence a job satisfaction up to 40 years later (Staw, 1986). Undoubtedly personal traits and core self evaluation strongly influence a job satisfaction. Due to fact that organisation generally cannot change a human personality, it has to be in its interest to use an appropriate selection of people and match them to appropriate place. Cultural influences can be divided to four dimension- individualism and collectivism; uncertainty avoidance versus risk taking; power distance, or the extent to which power is unequally distributed; achievement orientation. Obviously a culture influence depends on nationality, because every nationality has a different manners and attitudes which affect a job satisfaction. The Work Situation influences can be described as a “it is that much can be done to influence job satisfaction by ensuring work is as interesting and challenging as possible “ (Saari and Judge, 2004, p.3). This claim is not only about wages, for example job challenge, autonomy, variety, scope, retention considerably participate on the Work situation influences. The results of positive or negative job satisfaction indicate a unimportant relationship between job satisfaction and job performance (Iaffaldano and Muchinsky, 1985) what is oppose by (Organ and Ryan, 1995) who says there is strong relationship between job satisfaction and job performance, but only thing what is need to be defined is narrow means of job performance such as organizational citizenship behaviours. However, life satisfaction and job satisfaction has obvious relationship, which can be shown in one of three following cases: One, when job life spill over to civilian life and civilian life spill over to job life; Two, when job life and civilian life is mostly separated and there is only a little relationship; Three, when dissatisfaction in job life leads a person to seek a satisfaction or fulfilment In his/her life and the other way around (Saari and Judge, 2004). The third gap is method how to measure and influence and employee attitudes. There is much method how to measure employee attitudes such as conducting focus groups, interviewing employees, employee’s surveys. The method towers among each other method is employee’s surveys, because it ensure a summary of the major research on employee attitude helping to understand the research and employee’s discussion can provide a relevant feedback to manager to improve an intern organizational atmosphere (Saari and Judge, 2004).

Service quality

Service quality is a perception arising during long term service delivery process and is involved in an overall evaluation of performance, affected by any person who have contact with customer and require to provide high-standard quality service to satisfy customers what, eventually, together with whole service process lead to consumer perception of quality (Reid and Bojanic, 2010).

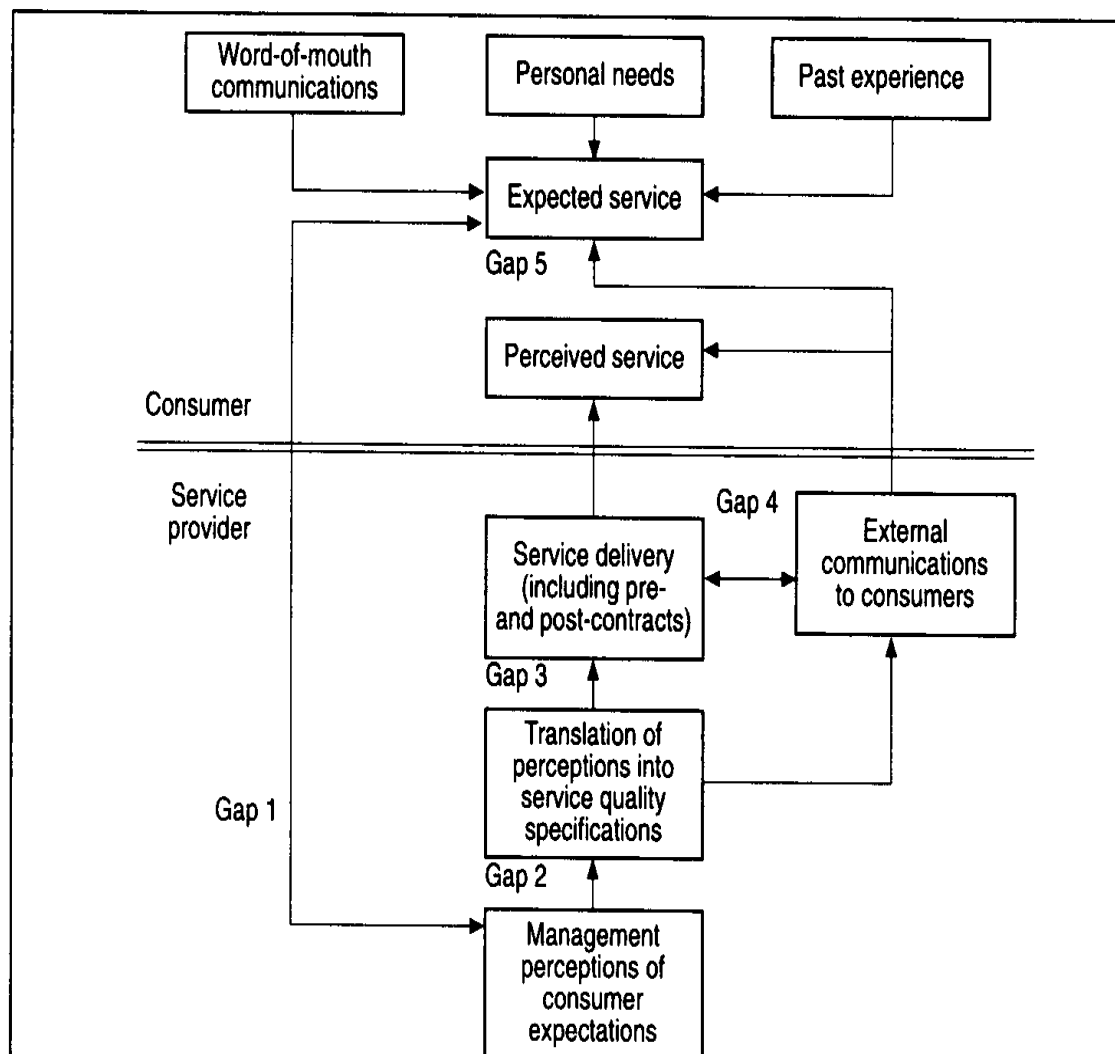


Figure 2.6: Service quality model

Source: Parasuraman et al.

“Its key features are: The identification of key attributes of service quality from a management and consumer perspective; Highlighting the gaps between consumers and service providers with particular reference to perceptions and expectations; Understanding the implications for service management of closing the gaps” (Mudie and Cottam, 1993, The management and marketing of services, p.80). Gap 1, knowledge gap, appear when service providers does not understand consumer’s expectations in service; Gap 2, standards gap, is a difficulties in terms of far less exceeding meeting of consumer expectations often assign to absence of total management commitment to service quality, lack of resources and excessive demand; Gap 3, delivery gap, appear when performance of customer service specification and actual service delivery is different; Gap 4, communication gap, is reason of unfulfilled promises to costumers by some advertising or other forms of communication; Gap 5, service gap, is firm’s key challenge and means that service provider must meet, better exceed, customer expectation” (Mudie and Cottam, 1993).

Managing Service Quality

Customer attitude is the most important part of service industries. All employees, no matter what level on organization chart they are, must deliver to customer high quality service and see customer at the highest priority, because only in this case can firm be able compete in long term businesses. According to Reid and Bojanic (2010), customers should be perceived in the following way:

1. Each customer is the most important person in any business.
2. Customers are not dependent on us, be we are depend on them.
3. Customers do not interrupt our work. They are the purpose for it.
4. Customers do us a favour when they call. We are not doing them a favour by providing services.
5. Customers are part of our business, not outsiders.
6. Customers are human being like us, with the same feeling and emotions.
7. Customers bring us their wants, and it is our job to fulfil them.

8. Customers deserve the most courteous and attentive service we can provide.
9. Customers are the lifeblood of every service.

This links to the ability to improve customer service and satisfaction as discussed below.

Improving Customer Service and Customer Satisfaction

Define your standards of quality service with measurable indicators. Establishing a level of service provided standards can firm helps to meet or exceed customer expectations and develop their reputation and images, but all these standards must be measurable and have to be communicated to employees (Reid and Bojanic, 2010). Typical type of standard in restaurants can be delivering meal within set time. There are two major dimensions in defining service quality: procedural dimension and convivial dimension. Procedural dimension includes incremental flow of service, timeliness, accommodating customer needs, communicating in good manners, obtaining customer feedback and convivial dimension includes demonstrating a positive attitude and body language, using customer's name as a sign of personal attention, attending to the guest on a personal basis, providing guidance to customer who is hesitant and solving problem that arise (William Martin: Quality service: The Restaurant Manager's Bible, cited by Reid and Bojanic, 2010).

Assess your current situation. Before firm moves forward, is required to audit of service provided level to determine firm strengths and weaknesses in term of service quality and focus on improving points which firm do not have excellent performance in (Reid and Bojanic, 2010).

Develop effective service improvement strategies. This is based on well-planned, objective of training needs to be set before training starts, and deep training of service providers including expected outcomes of the training (Reid and Bojanic, 2010).

Initiate your solutions carefully. Sometimes smaller things can bring more success than bigger things what means that sometimes is better to build your success on small steps rather than trying to accomplished too much too soon or too much to handle.

Provide feedback recognition and rewards. Every hard worker should be adequately rewarded and this is manager's issue to, for example, through feedback provided or their recognition, reward service providers to maintain their enthusiasm and interest for the future.

After correct settings of Internal Marketing processes and standards, company can make an effort to affect customer by External Marketing process, which is discussed below.

2.2.2 External Marketing

Advertising

Any business unit exploiting advertising to raise their revenue expect further benefits in profitability. Restaurant business units is low budget units therefore they cannot afford advertising in high cost media such as Television, but using the low cost type of advertising such as collateral material, coupons/price discount, direct mail, Internet, frequent diner programs, menu promotions and specialty product merchandising. Every type of advertising has its own advantage, but all of them help to increase the revenue. Mostly almost a half of food and beverage advertising budgets is spend in collateral materials such as brochures, fliers, menu inserts, and press kits. According to study of Faye Hall Jones (1997) researched that food and beverage organisation in USA not elder than five years use fliers, menus, and frequent diner promotional material. On the other hand, organisations elder than five year has the mayor part of advertising in collateral materials in brochures, press kits, and specialty merchandise (Jones, 1997). Other ways of promotion – Price discount-helps to maintain or increase a market share and can be also used as an expression of appreciation to customers. Due to technological progress in the recent days using internet database and internet marketing direct mail can

affect the restaurant's target group. To establish or increase the restaurant's customer base and their loyalty is often used offering coupons.

Pricing

Price is a fundamental part of marketing mix and performs a main function - producing revenue and also communicates to the market where the company wants their product to be positioned by its product or brand.

Pricing strategy

A price setting is one of the most critical parts of manager's decision. The price setting includes considering few factors such as firm's cost structure, competitor's prices and customers value perceptions of hospitality product.

Cost based pricing, the most frequently used pricing strategy in restaurants industry, usually involves marking up techniques of actual variable costs at a certain desired product cost percentage. This pricing method is commonly used to set menu prices in restaurants. Alternatively, pricing methods based on customers' value perception of hospitality products exclude the consideration of costs and attempt to provide value by offering high quality at low prices (Lewis and Showmaker, 1997; Shoemaker et al., 2006).

There is also other strategies such as volume based strategy, discriminatory pricing strategy, time of purchase discounting strategy which is also used in hospitality industry (Kotler, Bowen & Makens, 2003).

Alexandre Dolgui (2010) view includes three common approaches:

Cost-based pricing

Cost-based pricing assure that product price has higher price than its producing costs. Due to difficult determining of single unit costs, which are dependent on sales volume, is usually incorrectly estimated a size of demand and after that is product overpriced in weak market and under-priced in strong –demand market. This method is mostly used in setting prices in restaurant's menu.

Customer-driven pricing

Customer-driven pricing is based on designing price which customer is willing to pay for company's product or service. The aim of organisations should be increasing customer's willingness to pay the amount that demonstrates a real product's value (Nagle and Holden, 1995, p.8).

Competition-driven pricing

Competition-driven pricing approach is used to gain company's market share. Because of high level of competition in recent days, many firms have set the price too low in order to gain a higher market share. This strategy is often detected by competitors and causes the low price war throughout the industry. This is why should company drive not to market share, but operate in niche-market where is possible to set an appropriate margin.

Nine ending prices

Robert M. Schindler & Thomas M. Kibarian (2004) report two justifications for expecting sales advantage. First justification is called Underestimation mechanism and describes that a customer does not pay an attention to the number of pence after the pounds and this leads the customer to the price as lower than it truly is. Ignoring zeroes is same as ignoring nothing and thus it will not affect the consumer purchase behaviour. The second justification can be named as an association mechanism. Many studies (Berman and Evans, 1992, p. 440; Kotler, 1991, p. 489; Raphel, 1968) have shown a fact that price ending in 99 is more possible to be a discount price associated in a customer's mind than a 00 endings price. These words are confirmed by Stiving and Winer (1997) who

differentiate level effects and image effect: Level effect, ignoring rightmost digit, is reason why customers round prices down and image effects is separate to price image, such as product is on sale or price was reduced, and quality image what include two views: odd prices means low quality product and even prices mean high quality product (Stiving and Russell, 1997). This study was followed by Naipaul and Parsa (2001) who verify that menu prices ending in a 9 (£12.99) communicate to a customer that item's image is possibly based on item's value and prices ending in 0 (£13.00) mostly refers to high quality item.

Price sensitivity measurement

Price sensitivity management was explored in 1966 by Gabor and Granger and “They determined that, within certain limits, price acts as a quality indicator, but not as a purchase barrier; however, although outside these limits, price may become a barrier to purchase” (Carola Raab, Karl Mayer, Yen-Soon Kim and Stowe Shoemaker, Price-Sensitivity Measurement: a Tool for Restaurant Menu Pricing, p.4. 2009). After few upgrading it is known as a research tool to examine how customers are affected by combination of price and quality. It is a method that determines a balance of price with product or service value and leads to correct way of establishing the prices (Lewis and Shoemaker, 1997). Price sensitivity measurement answer four questions linked to price scale and are answered by customers:

- At what price on the scale do you consider the product or service to be cheap?
- At what price on the scale do you consider the product or service to be expensive?
- At what point do you consider the product to be expensive and beyond considering buying?
- At what point do you consider the product to be too cheap, so that you question the quality? (Kenneth, 1982).

2.3 Consumer Behaviour

2.3.1 Consumer satisfaction

“Satisfaction is a judgement of a pleasurable level of consumption related fulfilment, including level of underfulfilment or overfulfilment” (Arnould, Price & Zinkhan, Consumers-2nd edition, 2004, p.755). Dissatisfaction can be defined as: „unpleasant level of consumption-related fulfilment” (Arnould, Price & Zinkhan, Consumers-2nd edition, 2004, p.757).

Any business unit must ensure that a perceived value of product or service that they offer is higher than the value what offer any competitor or any alternative what will lead to higher or lower customer’s willingness to pay and this fact will have either positive or negative impact on firm’s revenue, number of customer’s purchases, brand loyalty and on personal communication about the product and subsequent analysis of customers satisfaction factor helps the firm survive in recent high competitive markets (Iglesias and Guillén, 2004).

Customer Satisfaction Determinants

Product and Service features. Customer’s evaluation of product or service is significant determinant in term of influencing customer satisfaction. Firm must determines their product or service features and then measure their perceptions and overall service satisfaction in customer view (Zeithaml, Bitner & Gremler, 2006).

Consumer Emotion. Undoubtedly customer emotion also affect total customer satisfaction and influence customer’s mind to create a feeling about the service he experienced either in positive way to overall satisfaction, when customers emotions are mostly influenced by feelings of happiness, pleasure, elation, good mood or in negative way when negative feelings dominates, it will lead to overall dissatisfaction (Zeithaml, Bitner & Gremler, 2006).

Attribution for Service Success or Failure. Customer can be for some services partly in cooperation with service provider in overall results and before customer determines level of satisfaction it usually assess real factor of failure or success and service provider's role in overall results and afterwards customer going to be satisfied or dissatisfied (Zeithaml, Bitner & Gremler, 2006).

Perception of Equity or Fairness. Customers perceive if service providers have a better treatment, offering better prices or provide better service quality to another customers and appropriate fair treatment that can impress on overall customer satisfaction (Zeithaml, Bitner & Gremler, 2006).

Other Consumers, Family Members and Coworkers. Nowadays word of mouth has become manifestly wide, especially word of mouth of customer's social network strongly perform an effect of overall customer satisfaction (Zeithaml, Bitner & Gremler, 2006).

Understanding customers

Dave Webb (2000) investigated two figures for an understanding a customer. Figure 1 is based on disconfirmation paradigm. Expectancy Disconfirmation Paradigm describes expectations in customer's purchasing process, customer's satisfaction or dissatisfaction. Disconfirmation comes when the outcomes does not match expectation, thus positive disconfirmation is a result if performance is better than it was expected and on the other hand, if performance is worse than it was expected then arise negative disconfirmation (Atila Yüksel and Fisun Yüksel, 2001). This customer's thought process is shown on figure 2.7.

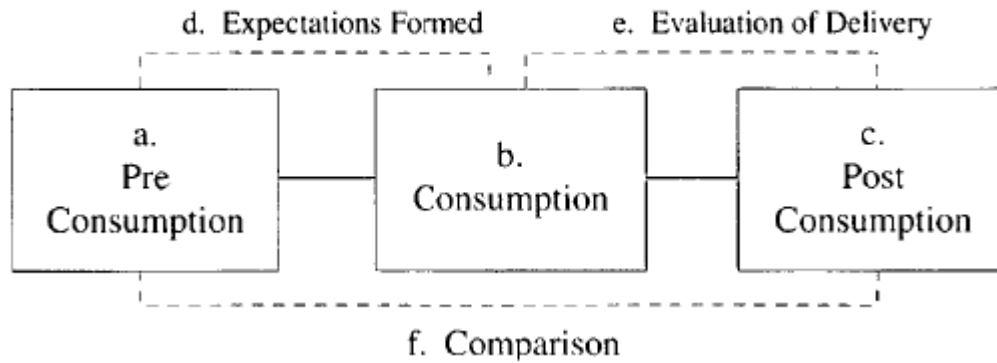


Figure 2.7: Service Interactional Role Framework

Source: Webb (2000)

Figure 2.8 describes the role understanding-expectation framework notes that:

“Expected service, in addition to being influenced by a marketer’s communications, is shaped by word-of-mouth communication, personal need, and past experience” (Webb, 2000, p.7). The role of understanding is a mediator for a connection among experience, familiarity and expectations, where experience, what information gained through service encounter, and familiarity, meant as information regarding to service provider, is on entry side to role of understanding and expectations followed by the role of understanding is on exit side.

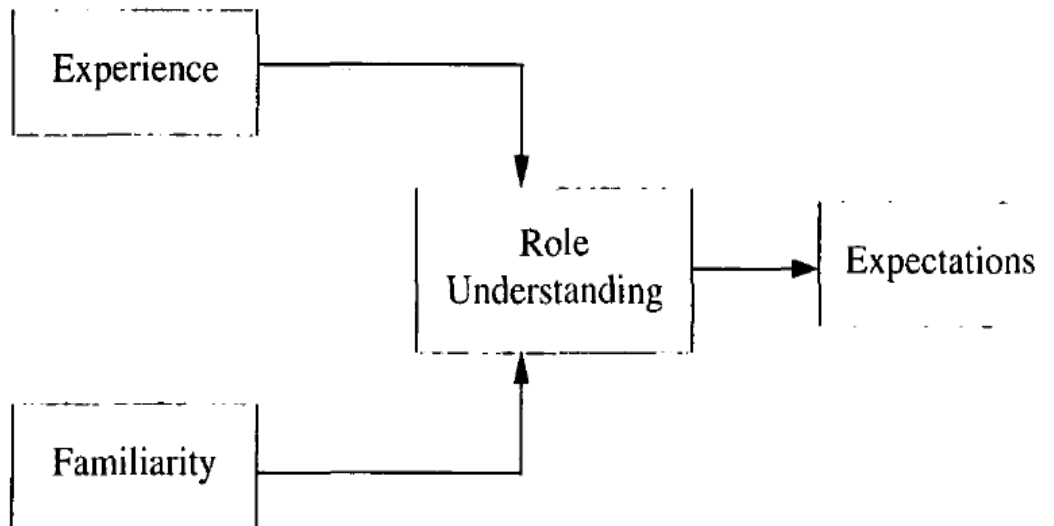


Figure 2.8: Role Understanding- Expectation Framework

Source: Webb (2000)

After understanding customer and their behaviour companies should strengthen customer loyalty what is going to be discussed in next paragraphs.

2.3.2 Customer Loyalty

Customer loyalty is based on customer satisfaction which depends on perceived price and quality service. Loyal customers are easily involved in positive word of mouth, more presumable to spent higher amount of money than no loyal customers. In term of cost, loyal customers are low cost target groups, because they already know restaurant's product and service and their customer satisfaction was likely fulfilled.

Han and Ryu (2009) founded three elements of customer's loyalty: perceived price, customer's (both described above) and physical environment. Physical environment means Décor and artefacts, spatial layout, ambient conditions. Décor and artefacts helps improving an attractiveness of interior of the restaurant. Any little detail can play an important role in overall aesthetic impression, therefore restaurant should focus for example on the colour schemes of the dining area's walls, ceiling/wall decorations,

pictures, flowers, tableware, linens table cloths and napkin, floor coverings, and quality furniture. Spatial layout refers to restaurant furniture and objects design and affect customer's comfort in order to sitting and moving comfort. Ambient conditions are intangible background characteristics that influence customer's mind by elements what are not related to restaurant food or service such as lighting, noise, music, scent, air quality, and temperature (Han and Ryu, 2009).

2.3.3 Aspects affecting purchasing behaviour

There are several aspects that influenced purchasing behaviour and goal for restaurant operator to achieve is raise consumer willingness and purchase their product or service.

Age

According to Hervé and Mullet (2009) who was investigating an impact of age in consumer purchasing behaviour, there has been found an interconnection among age and willingness to pay more for specific products. Their study claims an assertion that as people are younger as more willing they are in terms of purchasing products. On the other hand, another study investigating age impact on customer behaviour claims that elder people are more willing to pay more (Dennisuk, et al., 2011). Powell, Harrington, Ottenbacher, Staggs in their study (2012) of generation X, meant young people, found a significant impact in forming specific consumer preferences, values, and believes and modifying offer to attract this sort of people.

Income

Income is one of most important factor influencing purchasing behaviour, claim that higher income people are willing to spend more in purchasing products or service

and lower income people are less willing to spend more for products and services can be considered as obvious and it is suggested itself. Lower income people make more rational decision and they are driven by their income and to minimize risk of higher spending which would affect their financial situation and thus their willing to experiment with less known brand (Jones, Mustiful, 1996).

3 Methodology

In this chapter research methods are discussed. This chapter also include research objectives, research approach and research strategy and selected method for this study as well as description of sample and way of distribution. In the end of this chapter will be research ethics and limitation provided.

Research objectives are:

- To reveal the key drivers of consumer as a market power
- To identify the decision making process of customers
- To determine aspects affecting customer spending in restaurants

3.1 Research approach

The author has chosen positivism as an applied approach in methodology part of this study. The decisive reason to choose a positivist approach is ability to work with an observable social reality, working in real social life in terms of general reality law (Remenyi et al., p.32, 1998, cited by Saunders, Lewis, Thornhill, 2009) and also researcher independency was in a choosing approach process important part in order to collected data cannot be changed even though it does not represent author's opinions or feelings (Saunders, Lewis & Thornhill, 2009).

3.2 Research method

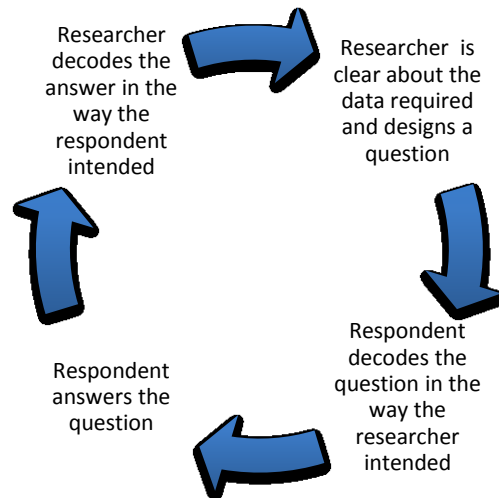


Figure 3.1 Research structure

Source: Saunders, Lewis, Thornhill (2009)

There are a number of research methods, such as observation and experimentation, but method to gain primary data for this study is the use of a survey- questionnaire which is considered as an appropriate research method to query an adequate number people in relation of being cost-effective and still able to query wide-range population (Bruce and Chambers, 2002) and by Saunders, Lewis & Thornhill (2009) the greatest use within the survey strategy. Survey is way of collecting data with high efficiency in terms of pointing out attitudes, opinions, facts and behaviours (Maylor and Blackmon, 2005) in a way of using interrogative pronoun such as who, what, where, how much and how many to answer a question (Saunders ,Lewis & Thornhill,2009). In addition to advantages of survey mentioned in this paragraph should be said that data coming from survey are already structured and thus there is less needs of analysing those data, but the other way around disadvantages lies in uncertainty of respondent's answer and high-dependency on respondent mood (Marshall, 1997). Survey method applicable for this study author chose questionnaire. Questionnaire strengths is simplicity and efficiency in administration and managing, data are easily able to categorize as well as they are easily quantifiable and amenable to statistical analysis, but questionnaires' weaknesses are dependency on kindness of question, culture differences can misrepresent data and researcher can easily missed the point of questionnaire by paying too much attention to it (Marshall and

Rossman, 1999). Saunders, Lewis & Thornhill (2009) call attention to ensure collected data are relevant to research strategy and helps to achieve research objectives and also not underestimate first opportunity to collect data, because it may be last opportunity to collect data, because researcher is most likely unable to go back to asked respondents and collect additional data using another questionnaire. For purpose of discussing are used secondary data such as Mintel Reports.

3.3 Research population

Restaurant customers are large-scale group of customer. Even though restaurant customers can be practically any person, the target group of the study are adults i.e. from 18 years and above. Fundamental part of the target group is people earning or receiving money, simply category of people who have their own income. Author assume that anybody who have visited restaurant in his life and thus is potentially appropriate person to participate on survey.

3.4 Sampling

As a method of sampling, author used a non-random purposive sampling, because of the fact that sampling target group is given, the only need is to check if they meet right criteria and afterwards reject those who does not (Easterby-Smith, Thorpe & Jackson, 2008). The main advantage of purposive sampling is obviously providing more useful descriptive data. Sample used of purpose of the questionnaire was attempted to be as much relevant as possible and this is why, people asked to participate in this survey was people in Huddersfield, adult-aged people who have possible own income and thus independent attitude in terms of choosing a restaurant. The aim of final percentage of offline respondents should not be lower than 65% in order to maintain to sample representative, because online form of questionnaire is unable to control relevancy of answering.

3.5 Research design

The data collected will be used for a descriptive purpose to define research objectives- to determine the key driver influencing customers and describe their decision making process in sense of impact that lead them to choose a specific restaurant. Variables used in the research are both behaviour and attribute. Behaviour to ascertain what they, as a costumers, in the past did, what they do in present and what they will do in future and attribute to be able to categorize them to a groups by a characteristics such as age, gender, income and employee's status (Saunders, Lewis & Thornhill, 2009). Questions are designed as a closed-ended question providing a short response, even yes or no, to the question, to make it for respondents as well as taking less time to answer. This also makes the results easier to systematize and analyse (Pribyl, 1994). Disadvantages of closed questions can be in limiting the responses available to respondents and in some cases closed question can be a limitation to the research due to a missed opportunity to express the respondents' view (Falthzik, 1971). Another type of question used in research is rating question. The rating questions are set of items considered as a indicators of a concept, in this study set of question identify the key factors of customer's decision making and numeric scale of questions is 1 to 5 with bipolar adjectives at both ends, where number 1 represents high important factor and number 5 represents unimportant factor (Sekaran and Bougie, 2010).

The questionnaire is administered to a sample which will be as representative as possible what will be described below. It is composed by three parts, every part is related to part in literature review, thus this questionnaire is composed by marketing section, consumer behaviour section a section investigating a key factors of consumer decision-making a mean as a part of competitiveness.

First part of the questionnaire investigates common information about consumer for categorizing purpose and it is divided to four categories. Gender category, providing options either male or female, focusing how gender affect decision making process as generally known fact is that male and female mind is mostly different. Age category is split to 18-21 years, 22-30years, 31-40years, 41-50years, 51-60years and 61 and more

years to cover potential respondents of all ages. Type of employment is set to cover all possible types of employment includes employee, employer, retirement, student, maternity leave, unemployed and meant to define how (un)employment affect consumer behaviour and their spending. Another part is respondent's income covering low income respondents as well as respondents earning more less average wage or even more. According to Annual survey of hours and earnings (2013) average weekly salary in Yorkshire area is £479.1, what lead author to split question's choices to £0-100, £100-300, £301-400, £401 and more to cover all possible incomes from different groups, such as students and retired.

Second part aims to investigate consumer behaviour mostly in terms of price. Author targeting respondents by question i.e. "Is price more important than quality for you?" or "Would you pay more for more quality food?" To identify role of price and food quality in consumer decision making process. This part also aims to investigate a frequency of visiting restaurant, respondent's average spending in restaurant, customer's perception of low-priced and high priced main course, preferences in number of courses and importance of drinks offer in customer decision making process.

Third part of the questionnaire refers to marketing impact to consumers and function of restaurant website and post experience behaviour. In this part were respondents asked about word of mouth, either positive or negative, impact in decision making process, importance of service quality in terms of possibility of customers return after service disappointing experience. This part also refers to a function of restaurant website as a potential part of restaurant marketing and its impact on customer, identifying what information customer looking for on the website and what are other sources of searching information, if it is not restaurant's website.

Fourth and last part of the questionnaire is composed by rating question investigating an importance of given factors. This part meant to be as a key part of questionnaire identifying key drivers of customer decision making determinants for example quality of food, employee's attitude, service quality, meal prices, and drink prices. Every factor can be rated on a scale of importance starts from very important, important, neutral, slightly important, negligible impact on customer.

3.6 Distribution of questionnaire

Author decided to use both online and 'offline' way to gain filled questionnaires. Offline form of gaining questionnaire was executed as live asking people who possibly meet conditions what author sets and considers as important for this study. Online form was distributed via Facebook webpage, specifically via Facebook groups called "Huddersfield, Huddersfield Food Guide, Huddersfield Food and Drink Festival" so through Facebook groups connected to the Huddersfield city and food in Huddersfield as well and thus it meets author's condition in terms of relevancy.

3.7 Research ethics

Increased numbers of present researches have raised a concern for ethical issues. Author has confirmed to use data only for purpose of this study in terms of admitting of Information confidentiality, Voluntary involvement in questionnaire, not harm anyone. Anonymity and respectability of participants private is one of the research ethics issue used in this study.

3.8 Research limitation

There was few limitation accompanied with research. The main problem of this research was a very low respond rate. In online form of distribution, the respond rate was extremely low. From over 10 000 appealed respondents online, appealed through Facebook pages, was only 35 respondents filled the questionnaire what is only approximately 0.35 % of respond rate. Offline form of distributing questionnaire, which is preferable form of distributing in order to maintain high representative sample of respondents, was executed with much higher respondent rate than online form, but generally it was still low. Approximately every 15th responder was willing to fill the questionnaire form. There

could be few possible reasons that respondents were unwilling to participate on this research. Firstly, it could be the fact that in city centre there has been many people offering some products and make people annoyed to be asked and spent few minutes to fill up the questionnaire for this study. Another 'offline limitation' is author's little social network to distribute the questionnaire, due to short period of living in UK for studying reason and most of UK social network is constitute from students, which was considered as not high representative form and only limited number of this type of respondents were asked to participate. Another limitation that can influence results is that appealed respondents are not forced to provide correct answer and therefore they do not have pay enough attention in answering the questions.

Despite these facts, number of participating respondents is 102, 35 offline and 67 online. The aim of not exceeding 35 % of online respondent and maintain majority in offline respondents was fulfilled.

4 Results

Previous chapter was describing a research approach and method, sample, ways of distribution and also includes consideration of chosen methods in order to be the most appropriate and chosen afterwards. Briefly summarized, in previous chapter was suggested *who* and *how* questioned and next chapter was will be about *what* was find in this study.

This chapter can be split into two parts. First part provides general information about respondent's answers and respondent's category and second part contain two research question and two hypotheses and it's analysing. For easier understanding, this chart provided many graphs, tables to demonstrate finding executed in the research.

As was mentioned above in sampling, author decided to use only Huddersfield city area to distribute questionnaires to any person without preferences i.e. distribute only to different gender than author is. Thus, respondents can be so-called customer and basically said, respondents is equal to customer in this study. This fact was respected and followed and results of two research questions and three hypotheses are described below.

4.1.1 Respondents' profile

Gender

Over a one hundred questionnaires were filled by respondents due to reasons described in previous chapter. Table 4.1 shows results according to gender. Highly similar number of both genders provides right-balanced results which cannot be affected by different thinking of both genders. From total amount of 102 respondents were 52 men and 50 women.

	Frequency	Percentage
Male	52	51%
Female	50	49%
Total	102	100%

Table 4.1: Genders of respondents

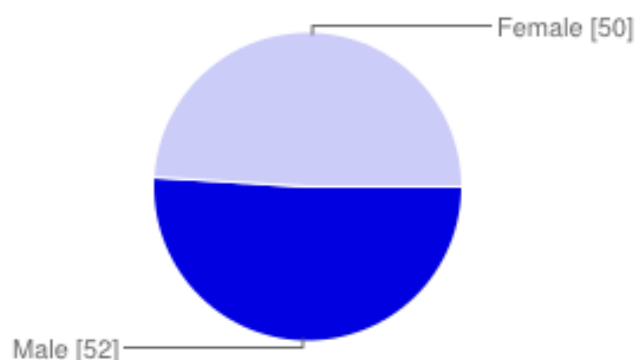


Figure 4.1: Genders of respondents

Age

During the research were randomly asked two ages category- Respondents aged from 22-30 (27), one less respondents reflects group of respondents aged 31-40. Other relatively large group is the youngest group including respondents of 18-21 ages (21). Middle age category from 41 to 50 represents 14 respondents and other two groups of elder people- '51-60' and '61 and elder' both represent 7 respondents.

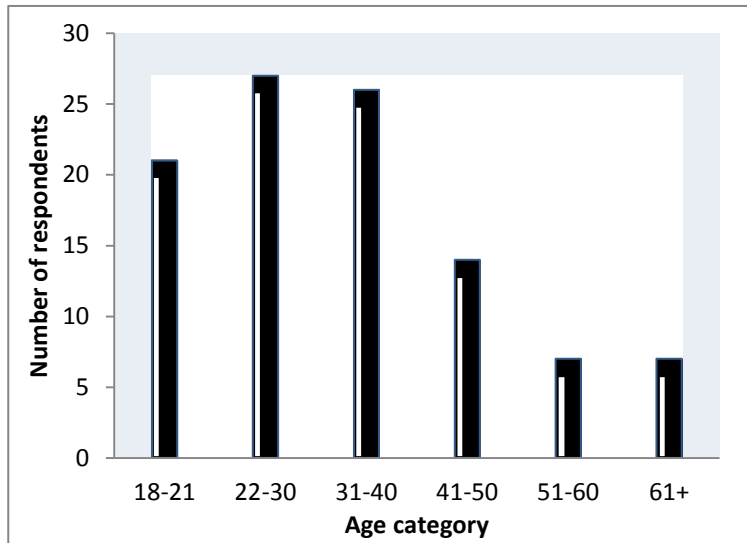


Figure 4.2: Age category of respondents

Type of employment

The target group of this survey are earnings people what was confirmed in 'type of employment' section where number of employees dominate and comprise half of all respondents (53). Women on maternity leave and unemployed people who were asked comprise only 5 % and 6 % of respondents, what it is positive for this study due to expectation that these groups are not too willing to spend money in the restaurants due to their low income. Students are the second largest group with 16 % share (17) followed by employer with 14 % share (15).

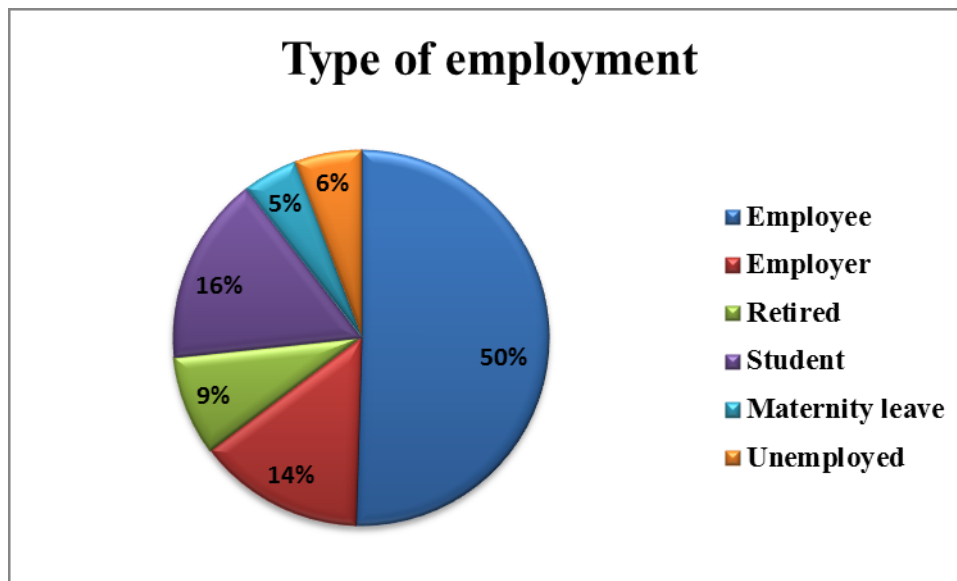


Figure 4.3: Type of employment

Frequency of visiting restaurants

This section shows that the most frequent period of visiting restaurant is once a month and was chosen by 42% of respondents. Almost one respondent out of three goes to the restaurant every week. Boundary choices- 'More than once a week' and 'Less than once a 3 months' are the least repeated answer and represent only little shares of 7% and 6 %.

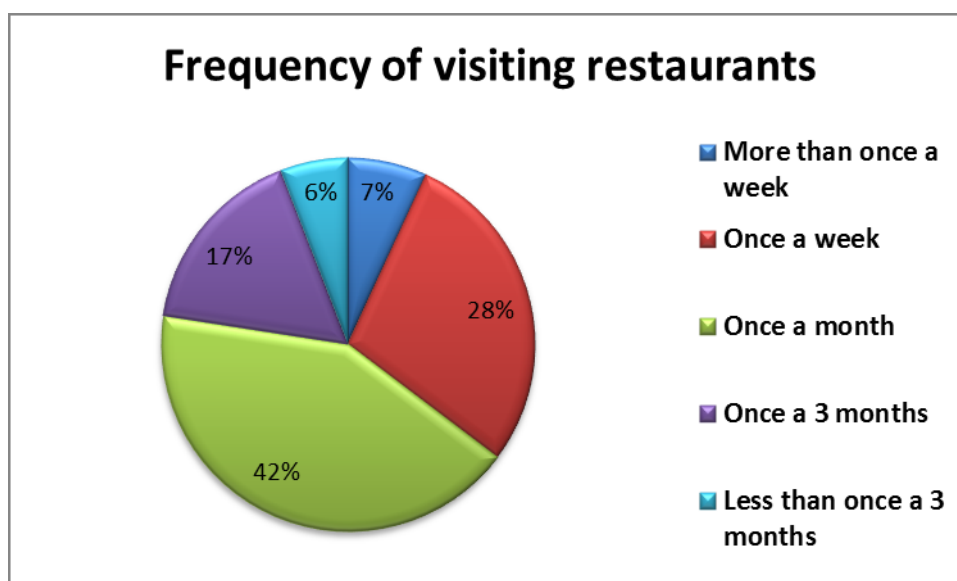


Figure 4.4: Frequency of visiting restaurants

Income

However students do not have to be expected as an earning people, they represent 16% of all respondents and also most of them nowadays work and thus they were also asked about their weekly earning. The largest group, nearly a half of all respondents in terms of weekly income are respondents, who earn from £101 up to £300. The richest group of respondents who earn more the £401 represents 'only' 17 % of all respondent which is similar to other two groups- 'earnings up to £100' (18%) and group of 22% of respondents who earn between £301-£400.

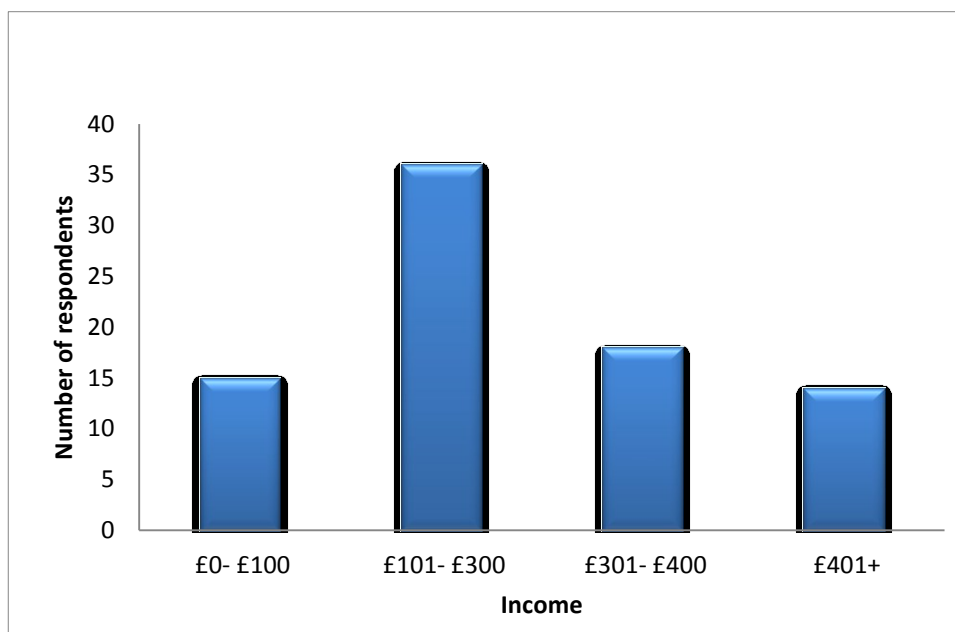


Figure 4.5: Income of respondents

4.1.2 Results of Price section

Usual spending

There are two dominating amount usually spent in the restaurants. The most often amount spent in restaurant is between £11 and £20 answered by exactly half of all respondents (51) and is followed by spent amount from £21 up to £30 which represents over a third of respondents (33).

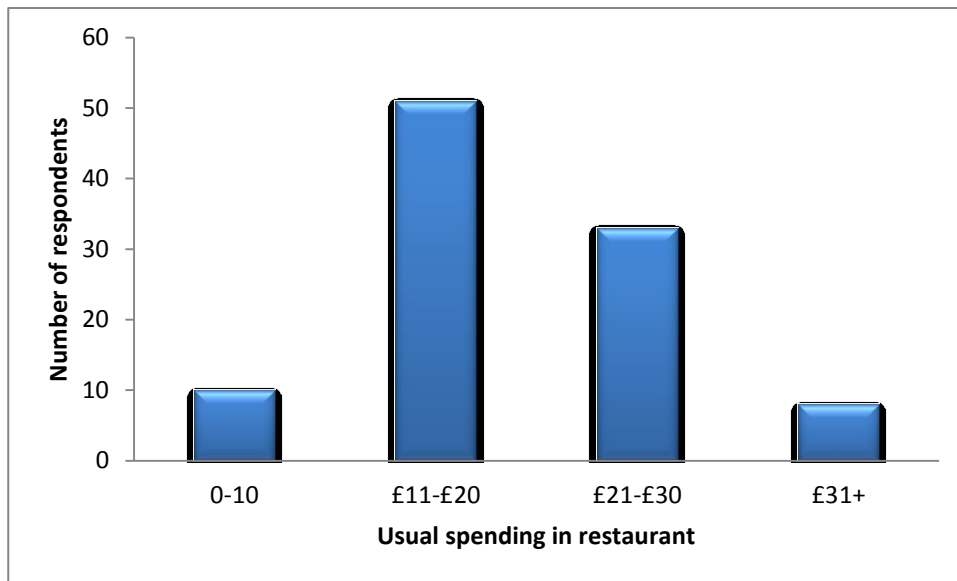


Figure 4.6: Usual spending of respondents in restaurant

Low priced main course considering

Surprisingly two respondents consider £16-£21 as a low priced main category, what must symbolize high income class, which cannot be even recognized, because questionnaire was designed to reflect lower classes than average wage in Yorkshire. Over a half of respondents consider main course up to £6 as low price main course and bit more than third(35) of respondents consider main course price above £7 and below £11 still as a cheap, what slightly copy a numbers and share from usual spending section.

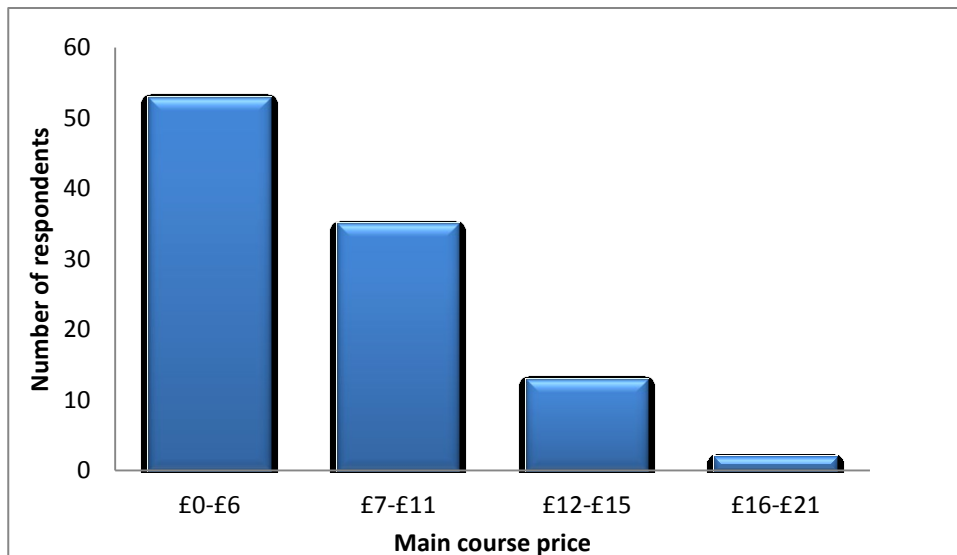


Figure 4.7: Low priced main course considering

High priced main course considering

This section copy fact of two dominating categories as well. Most respondents (57) consider high price main course in price category between £21 and £25. Only 4% of respondents (4) think that main course priced from £10 to £15 is expensive.

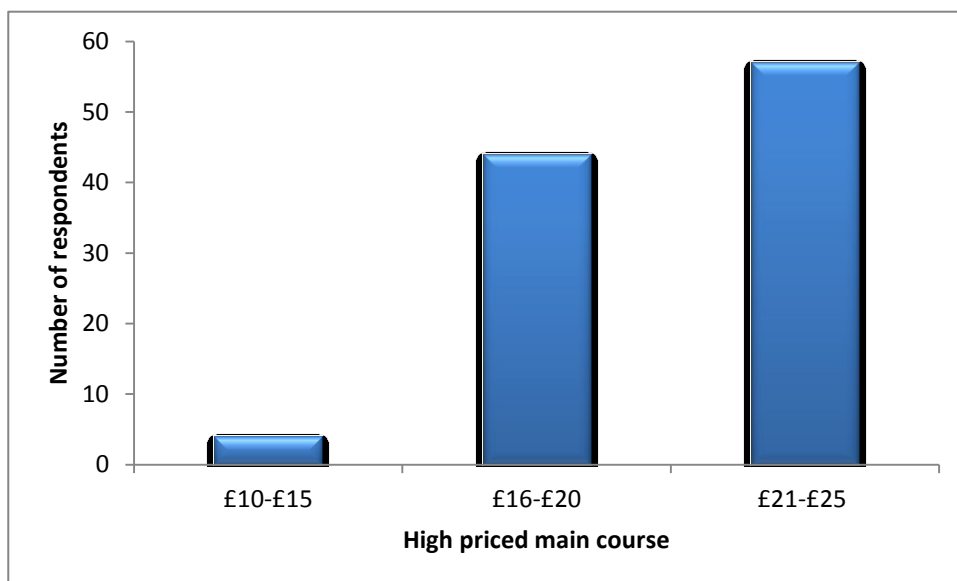


Figure 4.8: High priced main course considering

4.2 Research questions

After analysing of sample and price section of the questionnaire, analysis of research question is following.

4.2.1 Research question 1

How does the most usual customer look like?

Due to correct setting and designing questionnaire and research sample can this study helps to analyse of determination the most usual Huddersfield customer. In the other words, this question describes the most frequent consumer behaviour and the most frequent facts and approaches related to restaurants.

On average, the most usual customer earns between £101- £300 and visit restaurant approximately once a month. After he enters and before he left the restaurant, he usually spend amount from £11 to £20 by two courses during his dinner, when his mind choosing more expensive main course than £6, but cheaper than £16, but more likely to choose the main course cheaper than £21 and sometimes use some restaurant promotion. He often shares his experience with his friends or family members. In case he had a negative service experience he will not come back, but in some rare cases he may have to think about it.

4.2.2 Research question 2

What are the key drivers in customer decision making process?

For this study was chosen 10 factors high-influencing customer decision making and scale answer was provided (very important – negligible) and results are discussed below.

Quality of food

The result in this section was expectable, because if this study give inverse results, that would deny main principle of restaurant. Quality of restaurants are mostly measure by quality of food and obviously people participated on this study have same opinion. For almost two third of respondents is quality of food the highest priority subject and other third consider quality of food as important factor in decision-making process. There are also 4% of respondents answered neutrally.

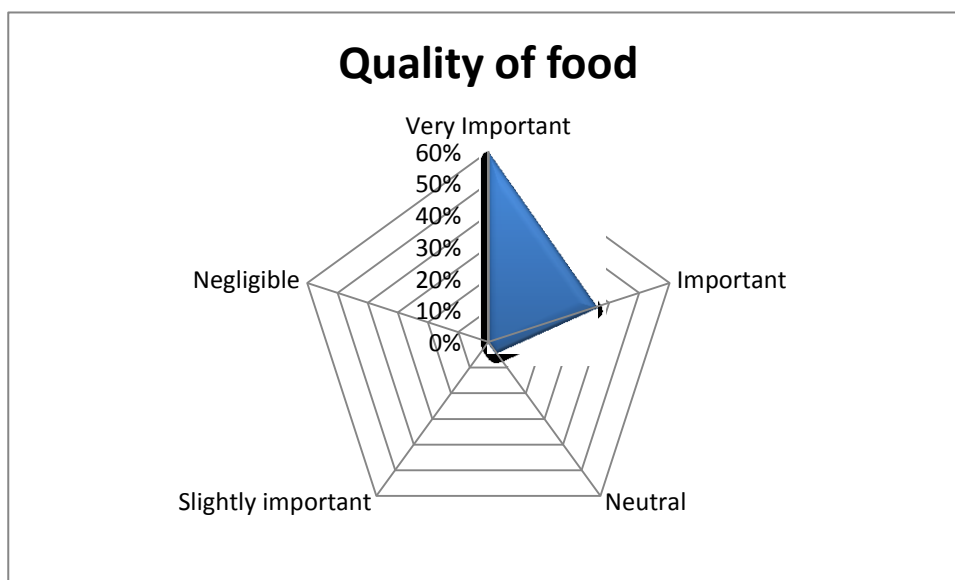


Figure 4.9: Quality of food

Employee's attitudes

This section is not that obvious as was previous one, but importance for respondent in employee's attitude is clear. Slightly over a half considers employee's attitude as 'only' important and 37% of respondents regard this factor as very important. 9% of respondent tend to not being affected in their decision-making by staff 'attitude

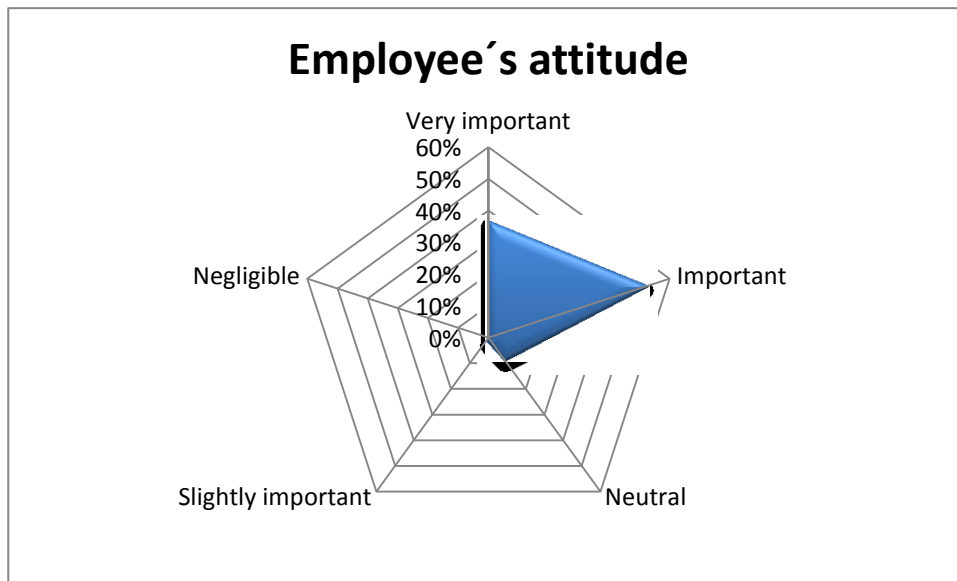


Figure 4.10: Employee's attitudes

Service quality

Service quality is another factor what strongly influences customer. The great mass is influenced by high quality service, which affects their decision making. The only difference is in level of importance and majority of 52 % consider service quality as important and another large group- 42 %- consider service quality as very important. 6 % of respondents think that service quality plays a neutral role in their decision making process.

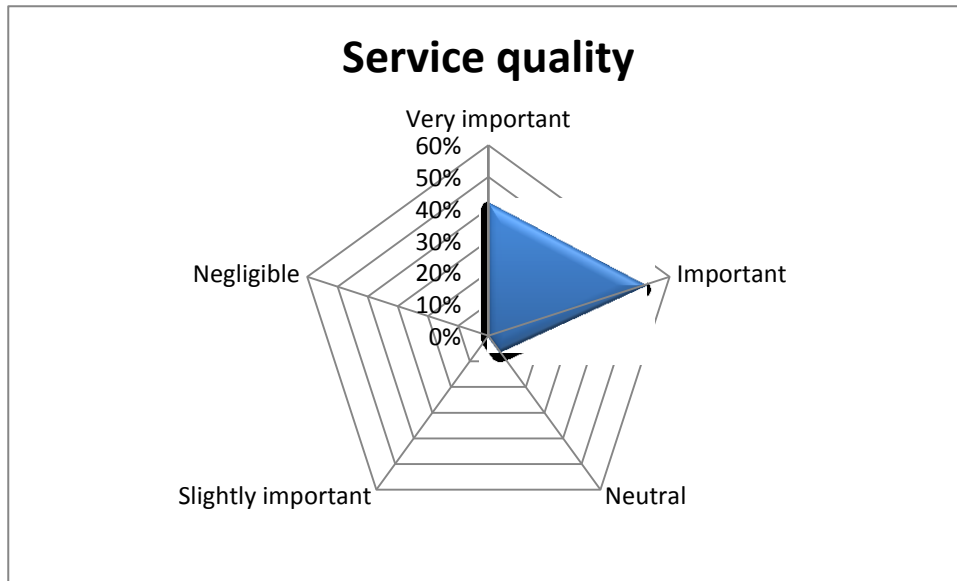


Figure 4.11: Service quality

Meal prices

Obviously, a meal price is one of the most important factors in decision making process, which is affected by people' welfare. Only one answer was that meal prices are negligible for customers and only 5% of respondents consider this factor as negligible. On the other hand, a third of respondent consider meal prices as a very important factor and 40 % consider it as important. Relatively high percentage of answer-25 %- was that it plays a neutral role in decision making process. It needs to be said again, that this factor is highly influenced by human's income and what price of dish can people afford.

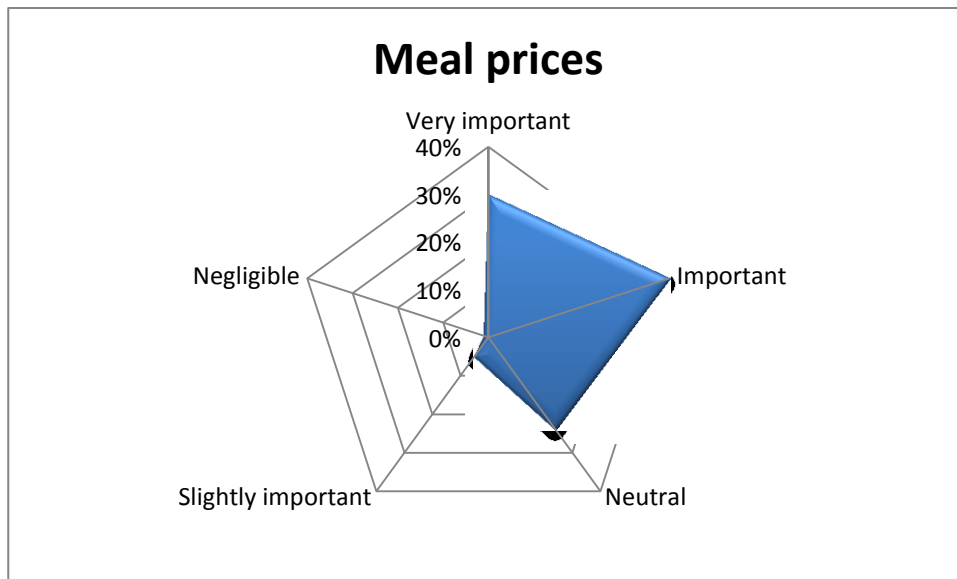


Figure 4.12: Meal prices

Drink prices

Drink prices factor is largely neutral, but as a meal prices is affected by people's income and for 35% of respondents is neutral, for 31 % is important. Restaurant managers tend to set drink prices a little bit higher, if they set meal prices a bit lower in order to attract customers by lower meal prices and psychologically make an impression on customers this way, because customer mainly pay attention to meal prices when they eating out.

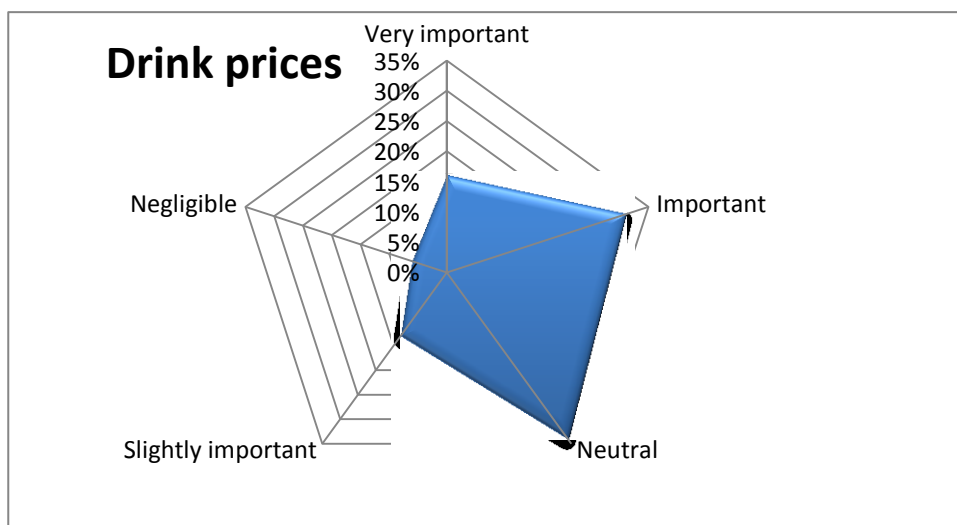


Figure 4.13: Drink prices

Restaurant atmosphere

How customers feel in restaurant is due to few factors, one of them is restaurant atmosphere. This factor can be influenced by restaurant managers and it is only on their decision how they design restaurant to eliminate a danger of uncomfortable feeling in customers' mind. This factor does not have to refer how high price level of restaurant is. A very slightly above 50 % of respondents consider this factor as important every fourth responder consider this factor as even very important.

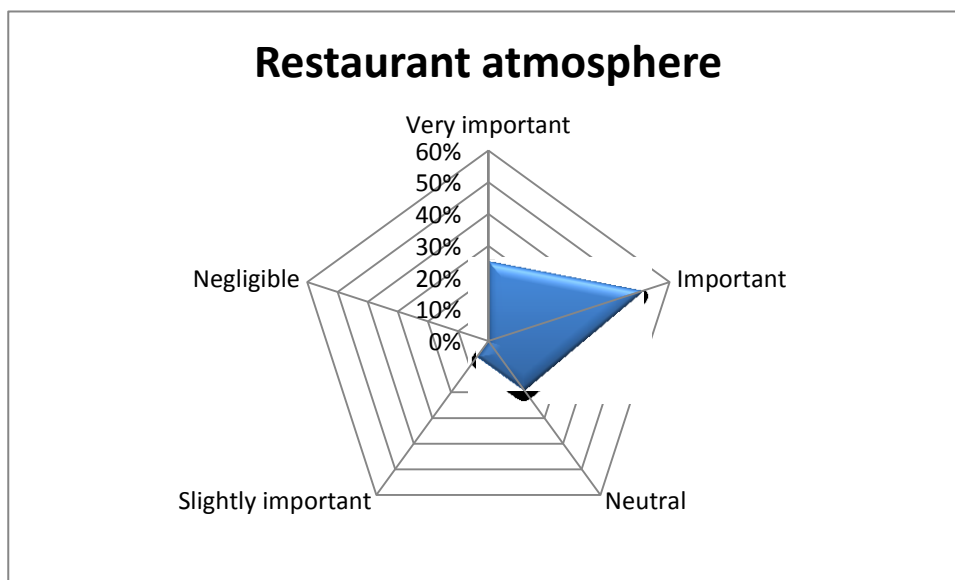


Figure 4.14: Restaurant atmosphere

Location

Location, meant as a place is one of four factors of 4Ps' Marketing mix, but this study shows it does not affect a restaurant choosing process significantly. For almost a half of respondents it is a neutral factor which does not have a high impact, but for one out of four customers it is important factor, but not with the highest priority. To take an advantage of location needs to be analysis of location made before restaurant is opened.

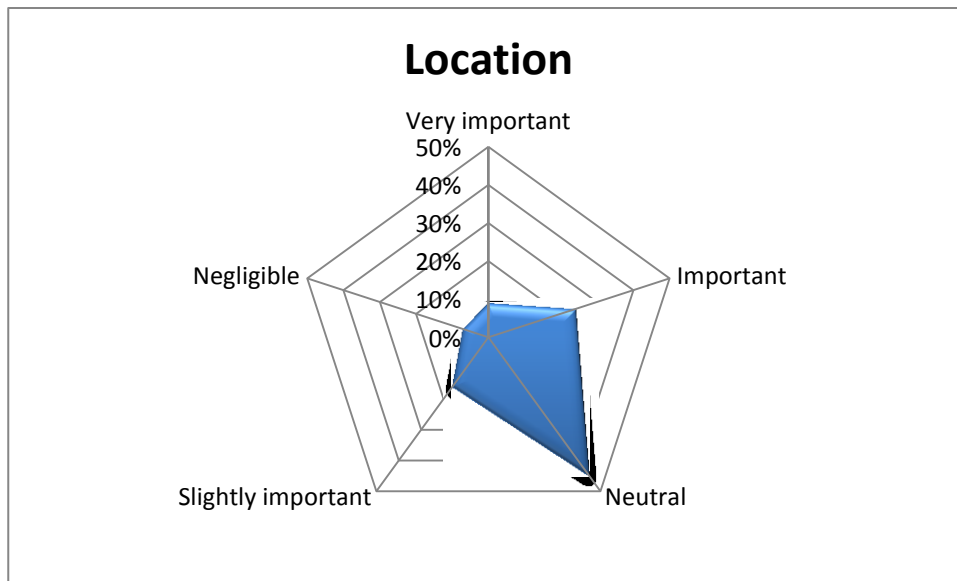


Figure 4.15: Location

Friends' recommendation

In the recent days, friends recommendation alias word of mouth have become to a strong tool to influence customer decision-making process. Once overall restaurant performance exceeds customer expectation, there is high possibility that customers tell their experience to other member of their social network. 30% of respondents take this factor as a very important and 44% take it as important, but slightly over a fifth consider this factor as neutral. Only trivial percentage of respondents regards this factor unimportantly, specifically 2% thinks that is slightly important and 3% thinks that is negligible factor.

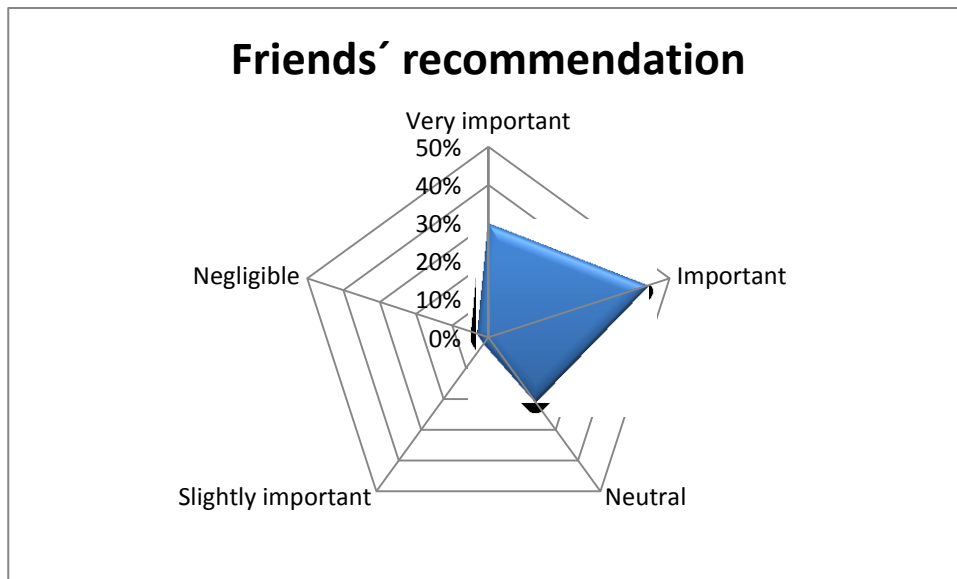


Figure 4.16: Friends' recommendation

Accessibility

Accessibility is one of the least important factors for customers. This factor is not able to customize how managers would like to and it is closely related to location as well. Nevertheless, as can be seen on figure 4.17 below, this factor tends to be neutral for majority of 37% respondents and around 25 % answered that this factor is either important or slightly important.

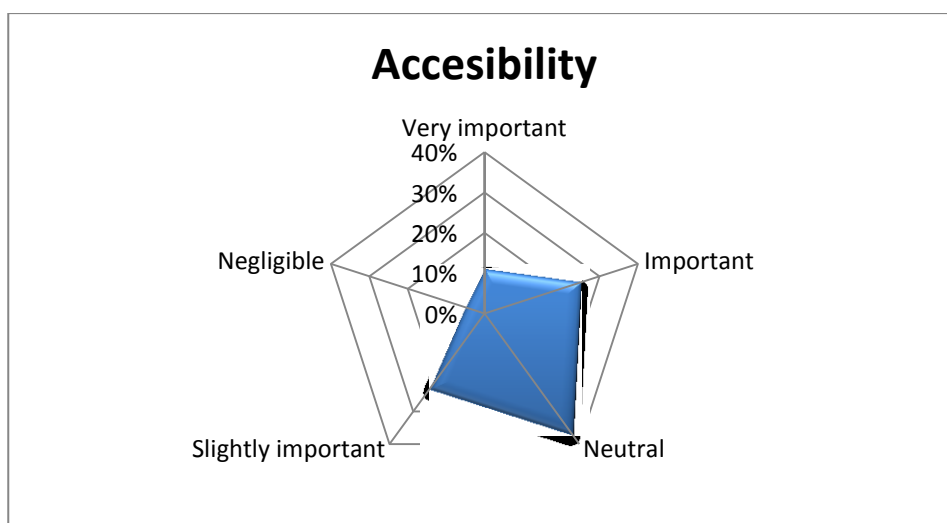


Figure 4.17: Accessibility

Payment options

Nowadays, popularity of paying by card significantly increased and providing option for card payment is a question what restaurant managers should pay attention to. However, respondents' most frequent opinion is neutral and so do not affect their decision making process. Figure 4.18 shows both sides with similar levels of importance where percentage of boundary choice starts on low level, middle importance choice was answered approximately twice more than boundary choice and neutral level were answered three times more than boundary choice. Even though, this factor does not have a high impact on final customer decision, but it is factor which can be influenced by restaurant managers to satisfy even a little number of customers.

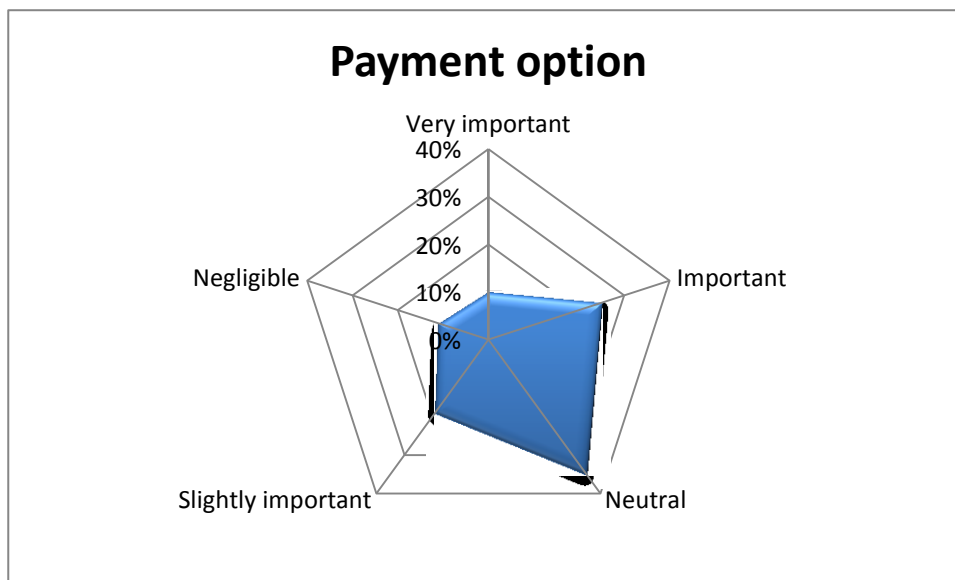


Figure 4.18: Payment options

Summarization

The results of customers' key drivers in decision making process are based on a research that has been made and still needs to be taken with caution, because the best restaurant performance is a combination of every mentioned factor and restaurant manager can concentrate only on top three, but to every little factor that can influences customer experience in a positive way. This section provides a chart of importance of 10 factors,

which were inquiring are sorted in descending order where first is most important and tenth is the least important.

Factor	QUALITY OF FOOD	EMPLOYEE'S ATTITUDE	SERVICE QUALITY	MEAL PRICES	DRINK PRICES	RESTAURANT ATMOSPHERE	LOCATION	FRIENDS' RECOMMENDATION	ACCESSIBILITY	PAYMENT OPTIONS
Mean	0,3095	0,3726	0,3453	0,4421	0,5621	0,4421	0,6126	0,4358	0,6147	0,6337

Table 4.2: Summarization of customers' key drivers

Importance of mentioned factors is sorted in descendant way as follows:

1. Quality of food
2. Service quality
3. Employee's attitude
4. Friends Recommendation
5. Meal Prices
5. Restaurant Atmosphere
6. Drink Prices
7. Location
8. Accessibility
9. Payment Options

As was mentioned above, after answering two research questions there are three upcoming hypotheses.

4.2.3 Research question 3

Is Word of Mouth marketing more powerful than any other advertising method?

This research question refer to literature review and can be perceived as a comparison between internal marketing in form of word of mouth and external marketing in form of any advertising methods such as vouchers, distribution of leaflets etc.

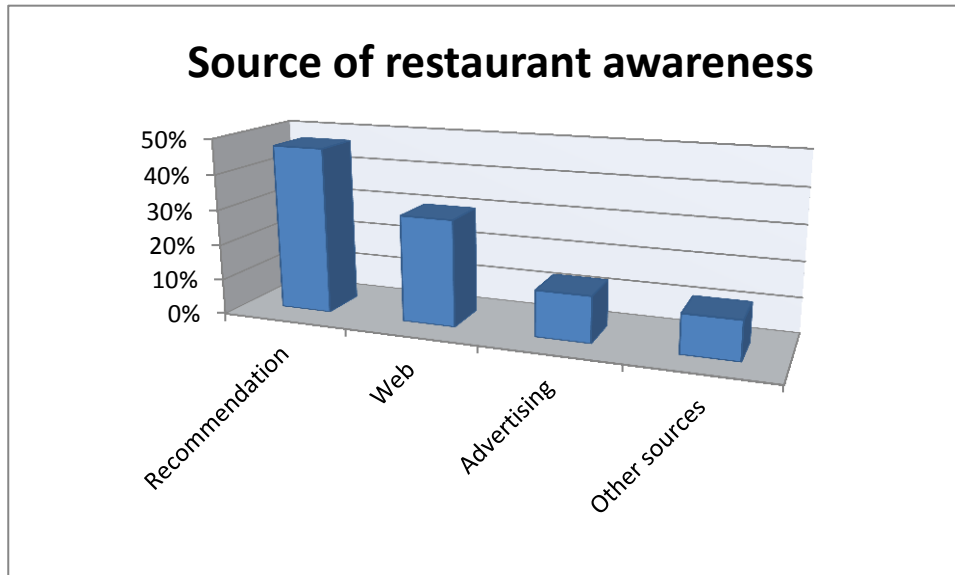


Figure 4.19: Source of restaurant awareness

Figure 4.19 shows a huge gap between powers of recommendation and advertising in terms of restaurant awareness. Nearly a half perceives a friend recommendation as more important than any other restaurants distribution. One out of four respondents every experience tell to their whether family members or their friends and over 40% do often refer their experience. There is only infinitesimal number of respondents (4%) who do not normally refer their dining experiences and even nobody consider to say to their friends or family opinion of restaurant that they visited. Importance of Friends' recommendation is described in literature review and this result is another evidence to pay higher attention to battle for exceeding customer expectations. On the other hand, it need to be said, advertising tools are predecessor of word of mouth marketing tool in order to need of first group of customer who can be impressed and therefore let word of mouth works.

4.2.4 Hypothesis 1

How age influences spending in restaurant?

Factor of age in relation to spending in restaurant were chosen for purpose of analysing consumer behaviour and to find if any age category influences their willingness to spend higher amount in restaurants.

Based on research and sample of 102 respondents of all ages category and all income category, there is not a significant correlation and therefore not a strong relation among age and spending. Pearson Correlation is only 0.184 what is not sign of dependency of those two factors to each other.

Correlations		Age	Spending
Age	Pearson Correlation	1	.184
	Sig. (2-tailed)		.064
	N	102	102
Spending	Pearson Correlation	.184	1
	Sig. (2-tailed)	.064	
	N	102	102

Table 4.3: Hypothesis 1

4.2.5 Hypothesis 2

How income influence spending in restaurant?

A question, if high-earning people spend in restaurant is suggested itself and this is why it was chosen for analysis of relation among personal income and their spending in the restaurants.

Correlations

		Income	Spendings
Income	Pearson Correlation	1	.511**
	Sig. (2-tailed)		.000
	N	102	102
Spendings	Pearson Correlation	.511**	1
	Sig. (2-tailed)	.000	
	N	102	102

** . Correlation is significant at the 0.01 level (2- tailed)

Table 4.4: Hypothesis 2

Very positive correlation 0.511 and $p < 0.001$ can be seen in Table 4.4 that means a very strong relations between income and spendings of customers.

4.2.6 Hypothesis 3

Do students visit restaurants more than employees and employers (workers)?

Group Statistics					
	Employee/Student	N	Mean	Std. Deviation	Std. Error Mean
Frequency of visiting restaurant	0	68	1.2794	.91171	.11056
	1	14	1.8571	1.16732	.31198

Table 4.5: Hypothesis 3 Group statistics

Independent Samples Test				
		t-test for Equality of Means		
		df	Sig. (2-tailed)	Mean Difference
Frequency of visiting restaurant	Equal variances assumed	80	.043	-.57773
	Equal variances not assumed	16.420	.100	-.57773

Table 4.6: Hypothesis 3: Independent Samples Test

Weak side of this hypothesis is small sample size of students in comparison to employees and employers, what can affect a final result. Nevertheless, sample 82 respondents were divided into two group in ratio 14 (students) to 68 (employees and employers -workers). The results have shown that $p < 0.05$ what means more than 95% probability in proving this hypothesis. For purpose of this hypothesis was used t-Test.

4.2.7 Hypothesis discussion

According to Hervé and Mullet (2009) who discovered a significant age and price relation among young people in purchasing goods and their study shown that as elder people are as less they are willing to pay in purchasing goods.

As this research and hypothesis 1 shown, there is not direct proportion of dependency among mentioned factors. In other words, young people do not have to be willing to spend higher amount in restaurants and elder people does not have to be meant as saving people and willing to spend lower amount in the restaurants. There should be considered

differences in purchasing goods and restaurants spending as well as needs to be considered smaller sample size of this study research.

On the other hand, this study found an interaction among income and spending in restaurants. Very positive correlation 0.511 and $p < 0.001$ is a sign of direct proportion in willingness to spend higher amount in the restaurant. Obviously, richer people can afford more expensive dishes and do not have to be aware of meal and drink prices. 100% of respondents earning more than £300 answered they would pay more for higher quality dishes as well as they give only one chance to restaurant to impress otherwise they never come back-only one respondent earning more than £300 answered that he would come back to restaurant after first negative experience. These words go hand in hand with finding, that for less than 13 % of sample is price less important than quality and approximately same percentage of respondents would not pay more for more quality meal. Same claim can be found in Jones's & Mustafic's, 1996 study (1996) which confirms a close relation among willingness to spend or pay more and personal income.

Last hypothesis is based on unofficial, friendly, interview with owner of Primo Ristorante Huddersfield facing much lower demand in weekdays than in Friday and Saturdays, which are most profitable for restaurants by offering relatively high price discount to attract lower-income customers, such as students to his restaurant. It cannot be statistically proved, but to use his word, people using this type of promotion are often students. The result of this hypothesis claims that students visit restaurant more often than workers, but unfortunately is not able to identify days, meant weekdays or Friday and Saturday, to prove Primo Restaurant owner's word. Powell, Harrington, Ottenbacher, Staggs deal with generation X-younger people, where students belong, and their impact on adaptation an offer to appeal this group of people what is another reason why these hypothesis was chosen to analyse. Students, even though they are low-income group, visit restaurant approximately once a week, whereas workers' frequency of visiting restaurants is nearly once a month. This fact is probably caused by fact that, students have no bills to pay. On the other hand, annual average salary growth in April 2013 is 2.2%, whereas inflation is officially 2.8% so the real salary decreased at least by 0.6% what can lead to savings and cutting cost for eating out due to not a positive economic situation, which does not have to affect students.

5 Recommendation

According to Mintel Report (2014) about menu flavours, half of users think that eating too much pasta lead to decreasing popularity of pasta and this is the challenge for restaurant owners to maintain their customer satisfaction by menu changes after appropriate time. In order to changing the restaurant menu, restaurant managers have to pay attention to changing eating preferences within elder people who tend to not eat a pasta dishes a thus restaurant managers have to provide some other type of dishes and diversify their menu to appeal on higher number of potential customers.

There is also high potential how to improve restaurant offers (Mintel, 2013). Based on chart 5.1, over a third of customers are willing to try new dishes, what bring an opportunity for restaurant owners to attract customers by a 'temporary offer'-the offer what can be changed after appropriate time period. Customers are also willing to share dishes with other friends, thus manager should pay an attention to this claim and consider providing a 'tapas' or bigger plate with variety of small dishes as well as customer are willing to pay more for dishes that they cannot find in any other restaurants. 17 per cent of respondents expect restaurant employees to offer them 'the best choice' of the restaurant's menu or if employees do not do it often, there should be some suggestion on a menu. This number is relatively high and covers a potential how to sell more expensive dishes and increase revenue.

Another recommendation is based on this paper's research. Restaurants should communicate to students as well as to people of middle and higher class in way that it does not put any side off their favour. There is also need to having websites updated as restaurant web is second most used source of finding information in terms of frequency as well as websites should be well-arrange as third of respondents consider this factor as enough important to think twice about visiting restaurant. But main concentration should be invested in improving three most important key factors for customer what is Quality of Food, Employees 'attitude to customers and service quality. Undoubtedly, high level of these three factors will bring a positive Word of Mouth what is mostly more powerful tool of marketing than any type of advertising and thus can bring more customers and increase revenues.

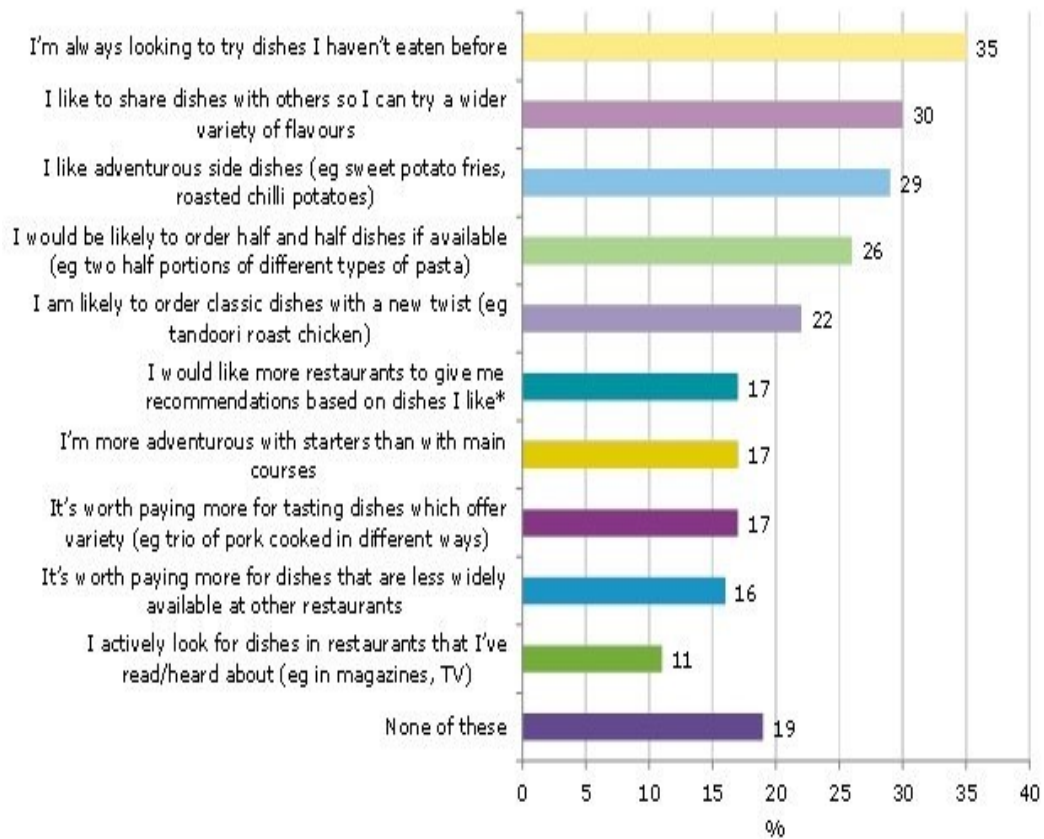


Figure 5.1: Attitudes towards Eating Out

Source : GMI/MINTEL

6 Conclusion

The aim of this paper was to analyse competitive components of restaurants and customer behaviour as the most important success driver for restaurants and discover whether there are any differences between different groups divided according to respondents' income, age and whether they are students or employees. The research was interested in terms of many differences in respondents' perceiving price, service quality, employees' attitude in restaurant and so on. On top of that, another target was also to determine factors that are the most important for customer and influence their decision-making process when they would like to dine out. Three research objectives were stated from which three hypotheses and three research questions were concluded. Primary data collected through distribution of questionnaires were analysed using correlation and t-Test statistical method. Thus, hypotheses could only have been either proved either as a true or false. For recommendation section were also used secondary data from Mintel website, global and award-winning provider of Market Research. The research question and hypothesis of this study were:

- How does the most usual customer look like?
- What are the key drivers in customer decision making process?
- Is Word of Mouth marketing more powerful than any other advertising method?
- How age influences spending in restaurant?
- How income influence spending in restaurant?
- Do students visit restaurants more than employees and employers (workers)?

First research question analysed and provided results describes the most usual customer as a person earning £101- £300, spending £11 to £20 in restaurant, having two courses dinner, considering well-balanced price of main course between £6 to £16 providing only one chance for restaurants to impress him and often refer his experience to his family and friends.

Second research question investigated the most important factors in customer's decision-making process. Analysis was made and results provided are that quality of food is the most important factor that influence customer in choosing restaurant, what practically copy main principle of restaurants. Another factors which were mentioned as more important are service quality, employees' attitude and friends' recommendation. Other two following factor having same level of preferences in customers 'eyes are meal prices and restaurant atmosphere. 6th 'most' important factor is drink prices and another following factor are perceived as less important and these factors are location, accessibility, payment options of the restaurant.

Third research question was to analyse what tool is stronger in terms of raising restaurant awareness. There were two factors to compare, first was word of mouth and second was any other advertising method. Analysis of measuring mentioned factor and their impact on customer says that word of mouth and strategy concentrating on this factor is more efficient than any advertising method. For instance, two out of ten of customers perceived impact of some advertising method when they are choosing restaurant, but nearly five out of ten follow family or friend recommendation.

First Hypothesis was about to find a relation between respondents' age customers' spending in restaurant and was proven as a false. Respondents' ages was split to 6 categories cover respondents all ages as well as 4 income options were provided, but there was found irrelevant correlation and thus no connection between age and spending and thus first hypothesis was disproved.

Second hypothesis measured a relation between respondents' income and their spending in the restaurants. In contrast to hypothesis 1 was this hypothesis proved as a true hypothesis and there was found a very positive correlation between those two factors. This hypothesis proved a fact that as higher income some person has, as more that person tend to spend in restaurant.

Third hypothesis was analyse students' and employees' (including employers) frequency of visiting restaurants. As a statistical method for analysing this hypothesis was t-Test used. This hypothesis has shown students as a group visiting restaurant more often. Even

though general fact that students are lower-income group than employees, possible reason that explain this analyse can be their carefreeness in terms of paying any bills and their whole income can be used only for their own usage.

There were a few limitations accompanied with this study and author considers these limitations as issues which should be mentioned, because they might influence the analysis. The main limitation is low respondent rate what led to low number of respondents participated in this paper research and thus to low respond rate. This low respond rate can led to influencing an analysis of questionnaire because only 102 respondents were successfully appealed. Thus, if sample size was higher, few questionnaires filled not in proper way would not change the final results of analysis.

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- I am informed that Act No. 121/2000 Coll. – the Copyright Act, in particular, Section 35 – Utilization of the Work as a Part of Civil and Religious Ceremonies, as a Part of School Performances and the Utilization of a School Work – and Section 60 – School Work, fully applies to my bachelor thesis;
- I take account of the VSB – Technical University of Ostrava (hereinafter as VSB-TUO) having the right to utilize the bachelor thesis (under Section 35(3)) unprofitably and for own use ;
- I agree that the bachelor thesis shall be archived in the electronic form in VSB-TUO's Central Library and one copy shall be kept by the supervisor of the bachelor thesis. I agree that the bibliographic information about the bachelor thesis shall be published in VSB-TUO's information system;
- It was agreed that, in case of VSB-TUO's interest, I shall enter into a license agreement with VSB-TUO, granting the authorization to utilize the work in the scope of Section 12(4) of the Copyright Act;
- It was agreed that I may utilize my work, the bachelor thesis, or provide a license to utilize it only with the consent of VSB-TUO, which is entitled, in such a case, to claim an adequate contribution from me to cover the cost expended by VSB-TUO for producing the work (up to its real amount).

In Huddersfield, 26. 6. 2014


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Martin Olšar

